BL200-2

# World Financial Markets

*Morgan Guaranty Trust Company of New York*

January 1986

**Exchange markets and the U.S. external deficit,** 1

**US. capital flows,** 4

Problems of analysis, 4

Direct investment, 6

Bank intermediation, 7

Securities transactions, 7

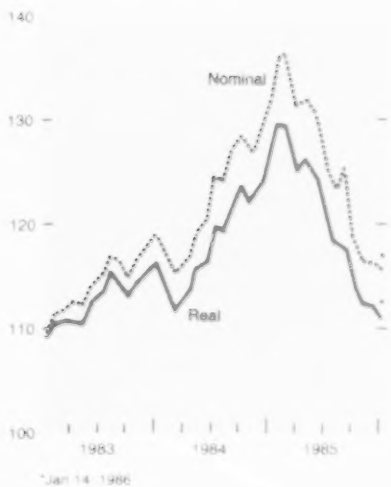
The question of sustainability, 9

**Statistical appendix,** 11

Chart 1

*Effective dollar exchange rate*

*1980 – 1982 = 100*




*Jan 14, 1986

## *Exchange markets and the U.S. external deficit*

Since the September 22 meeting of the G-5, the dollar has fallen over 8% on a nominal effective basis, reaching levels last seen in early 1984 (see Chart 1). From its high of February 25, the dollar has dropped 28% against the mark and 23% against the yen; against major currencies on average, the dollar's decline has been about 18% (see Table 1). The principal reason for this lesser decline is that the Canadian dollar, which receives a weight of around 30% in the effective rate computation, has weakened rather than strengthened.

The overall decline in the dollar has been orderly. Although there is much uncertainty about its future direction, no significant loss of confidence is evident, thanks in part to skillful monetary management by the Federal Reserve. Clearly, the G-5 agreement and the subsequent currency market intervention were well-timed. Contrary to the expectations of many, the intervention succeeded in preventing a rebound of the dollar after the initial announcement effect had faded. It is difficult, however, to disentangle intervention effects from those of changed expectations about economic policies. The success of the intervention last fall, in contrast with that undertaken last January, stemmed from the hints in the G-5 agreement of greater consistency to come in the economic policies of the major countries. Indeed, the dollar's decline stalled for a time in October until it became evident that policy changes would be made: in Japan, short-term interest rates were jacked up and modest fiscal measures announced. Toward the end of the year expectations climbed for budgetary action in the United States, bond yields tumbled, and hopes spread for lower U.S. interest rates generally.

Still, there is a long way to go before the improved fundamentals the G-5 agreement sought come fully into place or fiscal policies actually become internationally consistent. In the United States the eventual impact of the Gramm-Rudman budget-balancing act is hard to gauge, even setting aside doubts about its constitutionality. The difficult issues on both expenditure and taxation have merely been deferred until later in 1986. In the meantime appropriation bills continue to overrun the guidelines of last summer's Concurrent Budget Resolution and an extremely expensive farm program has been enacted. Nonetheless, the U.S. budget deficit is ex-

*Table 1*

### *Dollar exchange rates*

*units per dollar, except as noted*

| | | % changes since | |
|---|---|---|---|
| | Jan 14, 1986 | Feb 25, 1985 | Sep 20, 1985 |
| *Nominal effective* | 115.6 | —18.0 | —8.2 |
| *Real effective* | 110.9 | —17.8 | —7.3 |
| *Dollar vis-à-vis* | | | |
| *Japanese yen* | 202.6 | —22.6 | —15.6 |
| *German mark* | 2.47 | —28.4 | —13.0 |
| *French franc* | 7.56 | —28.3 | —12.8 |
| *British pound*** | 1.44 | —26.7 | —6.3 |
| *Italian lira* | 1680 | —22.1 | —12.2 |
| *Canadian dollar* | 1.40 | 0.1 | 2.5 |

*1980-82=100.
**Dollars per pound.

pected to decline as a percentage of GNP. In Japan the government's efforts to boost the yen have relied mainly on monetary restriction. Partly in consequence, a pronounced slowdown in Japan's real GNP growth is in prospect for this year, to 3% or less. As the deflationary impact of Japan's exchange and interest rate policies becomes clear, the need for relaxation in its fiscal posture will be accepted at some point; but no major action is likely to take effect until 1987. In Germany support for bringing forward tax cuts scheduled for 1988 presently is muted by the short-term strength of industrial output. Besides, there remains a powerful official impulse for deficit reduction regardless of economic circumstances. German tax reductions beyond those already in the pipeline are unlikely to be introduced before the 1987 elections.

The paucity of policy actions to date means that U.S. current account deficits could exceed $100 billion a year for some time to come. Their financing has proceeded smoothly so far, surprising those who thought the required capital inflows would disrupt currency and financial markets. The analysis of U.S. capital flows in the article below concludes that the financing position should remain sustainable for some time to come. Nonetheless, the buildup of external indebtedness does present long-term financial risks for the United States. Action is needed now to forestall serious trouble down the road, especially as adjustment will take several years.

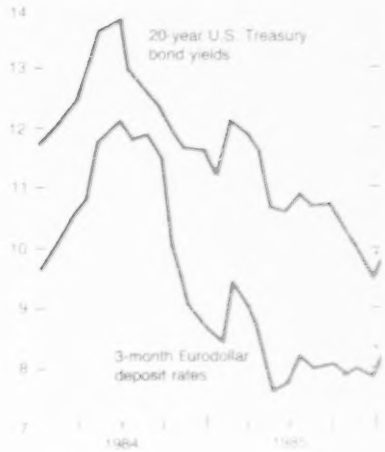
There should be no complacency about the adequacy of the benefit to the U.S. current account of the dollar's decline so far. If present levels of exchange rates persist, the trade-weighted value of the dollar in 1986 will be about 6% lower than in 1984; had the dollar remained at its peak of last February, its 1986 value would be 15% higher than in 1984. Assuming that the competitive gains are not eroded by higher U.S. inflation, this difference should eventually improve the trade balance by $50 billion or more, relative to what it might otherwise have been. Had the dollar held its peak of a year ago, the outlook would have been for a further sharp deterioration. As things stand now, depending also on global economic growth, the U.S. trade deficit may exceed $130 billion in 1986, following the estimated red ink of over $140 billion in 1985. Elsewhere on current account, the depreciation of the dollar will increase the dollar-equivalent value of net direct investment earnings from abroad. In addition, lower interest rates will hold down the growth of U.S. net interest payments to foreigners. On an ongoing basis, however, the depreciation-induced improvements in trade and direct investment income will do little more than offset the progressive deterioration in net interest payments resulting from the cumulation of current account deficits in recent years. With influential congressional voices asserting renewed support for protectionism, the present competitive position does not represent adequate improvement.

At present, the dollar's real effective exchange rate still stands more than 10% above its average during 1980-82, when the United States was approximately in current account balance. Restoration of balance need not be the literal objective in the years ahead. Still, substantial narrowing of the deficit will require stronger trade performance than in 1980-82, because of the subsequent deterioration in investment income. In Japan and Germany, by contrast, the accumulation of foreign assets has improved the investment income account; these two countries can afford less strong trading performance and can tolerate real appreciations in comparison with 1980-82.

Chart 2

*U.S. interest rates*

*per cent per annum*




*Jan 14, 1986*

Nominal exchange rates and monetary policies should not be the exclusive focus of efforts to alter competitiveness and restore a better current account pattern among the industrial countries. Undue exchange rate realignment, engineered through sharply reduced interest rates in the United States and increased rates elsewhere, would be very disruptive to financial markets. Violent price swings could result, inflicting arbitrary losses on businesses and consumers. A steep depreciation of the dollar achieved by monetary means could provoke inflationary pressures in the United States, risk recession elsewhere in the world, and depress price levels in a number of industrial countries. Such divergent price behavior would negate part or all of the benefits of dollar depreciation for U.S. competitiveness. Eventually, were inflationary pressures in the United States to get out of bounds, a Federal Reserve policy of monetary ease would become untenable, with recession the only way out. Plainly, this whole course of action would be undesirable for the country whose economy and currency are central to the world's trading and financial systems.

As this new year opens, policymakers in the industrial countries face three principal challenges: to bring about stronger noninflationary growth throughout the world economy, to work toward a better pattern of current account balances, and to prevent serious erosion of confidence in the dollar.

To meet the first of these challenges, the United States, Japan, Germany, and other industrial countries should be alert for opportunities to de-escalate interest rates, perhaps in tandem, during the course of this year. Dogmatic interpretation of the fast growth of the monetary aggregates must be tempered by recognition of their limited predictive value these past several years. Lower interest rates would both stimulate world activity and reduce the burden of interest payments now being carried by countries, companies, and consumers worldwide. Such action appears warranted by the present and expected quiescence of inflation. U.S. long-term interest rates have declined dramatically in recent months, notwithstanding their abrupt backup after the first week of January. By contrast U.S. short-term rates have not materially fallen (see Chart 2). As Gramm-Rudman begins to bite, or in the event the economy falters for whatever reason, there would seem to be room for easier U.S. monetary policy, taking U.S. interest rates gradually lower as 1986 goes forward.

Policymakers elsewhere, besides easing their own monetary policies as currency markets permit, need to ensure that any U.S. fiscal restraint is at least offset by fiscal relaxation in the rest of the industrial world, notably in Japan and Germany. Balanced, substantial, but gradual fiscal adjustments would improve the relationship of savings to domestic investment in the major economies. A better pattern of current account balances would be achieved without deflationary bias to the world, since any upward pressures on interest rates in Japan and Germany could be neutralized by their central banks. With the fiscal authorities acting in a mutually supporting way to remedy demand imbalances, the prospects for global economic growth would be enhanced; confidence in the U.S. economy and currency would be better maintained; and the risk of monetary and currency instability provoking a spiral of devaluation and inflation in the United States would be minimized. Implementation of a strategy along these lines is the key task for 1986 and, in particular, for May's Tokyo Summit.

Table 3

U.S. savings and investment

billions of dollars

| | 1982 | 1985* |
|---|---|---|
| Gross private domestic savings | 557 | 694 |
| Personal | 154 | 134 |
| Corporate and other | 403 | 560 |
| Net foreign savings** | 1 | 103 |
| Total | 558 | 797 |
| Gross private domestic investment | 447 | 665 |
| Government deficits | 111 | 132 |
| Federal | 146 | 191 |
| State and local*** | (35) | (59) |
| Total | 558 | 797 |

*January-September at an annual rate.
**Broadly, equals current account deficit.
***Surpluses.

Table 2

U.S. balance of payments

billions of dollars
minus sign indicates deficit or outflow

| | 1982 | 1983 | 1984 | 1985* |
|---|---|---|---|---|
| Current account balance | —8 | —41 | —107 | —110 |
| Reported net capital flows | —25 | 29 | 77 | 82 |
| U.S. investment in foreign assets | —119 | —55 | —30 | —17 |
| Foreign investment in U.S. assets | 94 | 84 | 97 | 99 |
| Statistical discrepancy | 33 | 12 | 30 | 28 |

*January-September at an annual rate.

# U.S. capital flows

The emergence of the United States as a large-scale importer of capital — to finance a current account deficit that reached an estimated $115 billion in 1985 — has radically altered the pattern of U.S. and world capital flows. In contrast to the massive financial recycling following the two oil shocks of the 1970s, which involved both industrial and less-developed countries, today's international capital flows run mainly among the industrial countries.

Increasingly, these flows result from securities transactions, rather than the traditional direct intermediation of banks. More and more, the commercial banks find themselves agents and arrangers of financing in the form of marketable instruments. This trend toward securitization, which is evident around the world as well as in the U.S. balance of payments statistics, owes much to the quest of investors for international diversification of their portfolios, together with the growing sophistication of financial markets in general and the increasing international integration of once-insular domestic markets.

Thus, U.S. corporations have turned to international bond markets and, more recently, to short-term Euronote and Eurocommercial paper markets for a growing proportion of their outside financing. At the same time, foreign investors have displayed an impressive appetite for U.S. Treasury securities and corporate bonds. Such activity, analyzed in more detail below with the aid of the decidedly imperfect official statistics, has made a major contribution to the smooth financing of the U.S. current account deficit to date. It also has served to supplement inadequate savings in the U.S. domestic economy (see Table 2).

Now, as for some time already, the key question remains whether U.S. financing needs can be met and sustained in the years ahead without disruption of global money and currency markets. On balance, the prognosis is reassuring: the dollar's decline from its peak last February has proved both orderly and consistent with declines in U.S. nominal interest rates, not increases as some had predicted. Besides, at present the ongoing accumulation of U.S. assets in foreign hands is not large when seen in the context of aggregate world savings and portfolio size. Moreover, U.S. economic growth and inflation prospects compare quite favorably with those elsewhere. Someday, it is true, portfolio holders could find the U.S. paper flow less appetizing, should the U.S. external imbalances go uncorrected or U.S. domestic performance deteriorate markedly relative to Europe, Japan, or the major LDCs. But that day does not look close at hand. And it never need dawn at all if the United States moves forthrightly, in concert with other major nations, to accomplish gradual correction of their several internal and external imbalances in a noninflationary and confidence-sustaining manner.

## *Problems of analysis*

Analysis of U.S. capital flows is complicated by shortcomings in the published statistics. As shown in Table 3, reported net capital flows have swung strongly into surplus, with outflows of nearly $25 billion in 1982 giving way to inflows of $82 billion in the first three quarters of 1985 at an annual rate.* Nonetheless, capital transactions are under-

*All figures on capital flows in 1985 are for the first three quarters of the year at an annual rate, unless otherwise noted.

*Table 4*

## *U.S. capital flows*

*billions of dollars*
*minus sign indicates outflow*

| | 1982 | 1983 | 1984 | 1985* |
|---|---|---|---|---|
| *U.S. investment in foreign assets*** | —126 | —59 | —24 | —17 |
| *By type of investor* | | | | |
| *Official* | —11 | —6 | —9 | —4 |
| *Private*** | —117 | —53 | —15 | —13 |
| *By type of asset* | | | | |
| *U.S. banks' own claims* | —107 | —33 | —11 | 4 |
| *Other foreign assets* | —21 | —24 | —13 | —21 |
| *Direct investment*** | —5 | —3 | —6 | —13 |
| *Foreign securities* | —8 | —7 | —5 | —9 |
| *Miscellaneous**** | —8 | —8 | 2 | 1 |
| *Foreign investment in U.S. assets*** | 104 | 68 | 101 | 99 |
| *By type of investor* | | | | |
| *Official* | 4 | 6 | 3 | 0 |
| *Private*** | 100 | 62 | 97 | 99 |
| *By type of asset* | | | | |
| *U.S. banks' own liabilities* | 65 | 13 | 30 | 26 |
| *Other U.S. assets* | 39 | 55 | 71 | 72 |
| *Direct investment** | 16 | 12 | 23 | 19 |
| *U.S. Treasury securities* | 13 | 18 | 27 | 23 |
| *Other U.S. securities*** | 13 | 13 | 14 | 26 |
| *Miscellaneous**** | —3 | 12 | 7 | —6 |
| *Net reported capital flows* | —22 | 9 | 77 | 82 |
| *By type of investor* | | | | |
| *Official* | —7 | 0 | —5 | —4 |
| *Private*** | —17 | 9 | 82 | 86 |
| *By type of asset* | | | | |
| *U.S. banks' own claims and liabilities* | —42 | 19 | 19 | 31 |
| *Other assets* | 19 | —10 | 58 | 51 |
| *Direct investment*** | 11 | 15 | 10 | 7 |
| *Securities, including U.S. Treasury*** | 18 | 14 | 36 | 50 |
| *Miscellaneous**** | —10 | —39 | 12 | —6 |

*January-September at an annual rate.
**Adjusted to exclude from U.S. direct investment abroad and foreign investment in the U.S. purchases of U.S. securities marketed overseas by foreign companies acquired in U.S. transactions and sales of such securities abroad by U.S. companies.
***U.S. banks' custody claims, U.S. residents' claims and liabilities not elsewhere reported, foreigners' U.S. government and all U.S. nonbank liabilities not elsewhere reported.

reported. While *changes* in reported U.S. net capital flows have roughly equaled the changes in the U.S. current account balance since 1982, the *absolute level* of reported net capital inflows has been considerably smaller than the recorded current account deficit. This statistical discrepancy averaged a positive $25 billion a year during 1982-84 and reached $28 billion in 1985. Perhaps half reflected unrecorded net current account receipts — the U.S. component of the worldwide current account discrepancy estimated by the OECD at more than $120 billion in 1985. The remainder probably represented unrecorded net capital inflows: the reporting system for U.S. capital flows, especially those not directly intermediated by banks located in the United States, has failed to keep up with innovations in international finance and the rapidly increasing volume of international capital flows.

Interpretation is further hampered by the compilation of capital flow data on the basis of residence, rather than nationality, of the parties concerned. For those transactions between U.S. residents and foreign entities that are carried out through agents or intermediaries resident in third countries — such as the United Kingdom, Switzerland, or Hong Kong — the identity of the ultimate foreign parties cannot be determined. Moreover, U.S. residents include foreign-owned entities such as U.S. agencies, branches, and subsidiaries of foreign banks and the U.S. affiliates of other foreign companies, while foreign residents include U.S.-owned bank and nonbank entities.

To avoid misinterpretation, capital flow data as published also need to be appropriately adjusted and rearranged. For example, it is frequently remarked that the large increase in net capital flows into the United States since 1982 has been due to a sharp decline in U.S. acquisitions of foreign assets, rather than an acceleration in foreigners' acquisitions of U.S. assets. Apparently, U.S. residents' holdings of foreign assets increased by $119 billion in 1982, but by only $17 billion in 1985. Meanwhile, net increases in foreigners' holdings of assets in the United States changed little, fluctuating near $100 billion per year. However, a somewhat different picture emerges if, as seems by and large appropriate, bank-related flows are

Table 5

*U.S. direct investment flows*

*billions of dollars*
*minus sign indicates outflow*

| | 1983 | 1984 | 1985* |
|---|---|---|---|
| U.S. direct investment abroad** | −9.2 | −19.5 | −18.2 |
| Equity capital | −3.1 | −4.8 | −3.7 |
| Reinvested earnings | −8.6 | −10.0 | −14.5 |
| Intercompany debt | 2.4 | −4.7 | 0.0 |
| Western Europe | −3.9 | −11.6 | −12.1 |
| Japan | −1.1 | −2.1 | −1.9 |
| Canada | −1.4 | −2.0 | −1.7 |
| Other industrial countries | −0.7 | −1.1 | −1.2 |
| Developing countries | −1.1 | −2.6 | −1.3 |
| Foreign direct investment in the United States | 10.8 | 25.5 | 16.5 |
| Equity capital | 4.2 | 10.0 | 4.4 |
| Reinvested earnings | 3.2 | 5.1 | 5.0 |
| Intercompany debt | 3.2 | 10.4 | 7.1 |
| Western Europe | 9.1 | 13.1 | 9.4 |
| Japan | 1.2 | 5.1 | 3.2 |
| Canada | 0.7 | 3.4 | 1.1 |
| Other industrial countries | 0.3 | 1.4 | 1.0 |
| Developing countries | 0.7 | 1.4 | 1.7 |
| Net direct investment | 1.6 | 6.0 | 1.7 |
| Equity and reinvested earnings | −0.4 | 4.1 | 0.7 |
| Intercompany debt | 2.0 | 1.9 | 1.0 |

*Preliminary. Components may not add to totals because of rounding.
**Excludes U.S. banks, brokers and other financial concerns.

viewed primarily on a net basis. As shown in Table 4, there has been little decline in the acquisition of foreign assets by U.S. nonbank residents and strong growth in foreign acquisition of U.S. assets other than claims on U.S. banks.

One compelling reason to view U.S. banking flows on a net basis lies in the shifting of claims and liabilities from the books of banking offices abroad to the books of International Banking Facility (IBF) offices in the United States. Such shifts occurred on a major scale in December 1981 and early 1982 when IBFs were first established. Much new business now is channeled through these IBFs. As a result both the growth of U.S. resident banks' claims on foreigners and the increase in their liabilities to foreigners have been inflated without significantly affecting net banking flows. The shift of existing business alone has been estimated to have reduced the growth of U.S. banks' foreign claims and liabilities by $35 billion or more in late 1981 and early 1982. In the absence of these shifts, the reported reduction in the rate at which U.S. residents acquired assets abroad after 1982 would have been smaller, and the reported rise in acquisitions of assets in the United States by foreigners would have been larger.

A different cause for adjustment of the reported U.S. balance of payments statistics relates to the peculiar treatment of the borrowing abroad by U.S. companies through Eurobonds issued by finance affiliates chartered in the Netherlands Antilles, and the transfer of the proceeds to the U.S. parent. These are jointly recorded as a reduction in U.S. direct investment abroad; the transfer would be more aptly classified as a foreign purchase of U.S. corporate securities. Following the July 1984 elimination of U.S. withholding taxes on interest payable to foreigners on U.S. securities newly issued abroad, such bonds have been issued directly by the parent company or an affiliate resident in the United States; correctly, their purchase by foreigners is recorded as an increase in foreign holdings of U.S. securities.

### *Direct investment*

Net U.S. direct investment flows (adjusted to exclude the operations of Netherlands Antilles finance affiliates) turned positive for the first time in 1981. Inflows into the United States have since continued, peaking at nearly $15 billion in 1984 before sinking back to $5 billion at an annual rate during the first three quarters of 1985 (see Table 5).

U.S. direct investment abroad averaged only about $9 billion per annum during 1982-85, down sharply from more than $19 billion annually in the previous four years. Transfers to affiliates abroad of equity capital from the United States have been relatively small. Most recent U.S. investment abroad has occurred through the reinvestment of earnings. This jumped sharply in 1985, largely because the dollar's decline gave rise to capital gains that were not remitted. Foreign direct investment in the United States, already quite large in the late 1970s and early 1980s, has continued at a vigorous pace, averaging $17 billion annually during 1982-85.

A major share of net direct investment inflows to the United States now comes through intercompany debt transactions. Relative credit market conditions, including borrowing costs, have favored borrowing abroad to finance investment in the United States. U.S. parent companies have been borrowers from their foreign subsidiaries, and foreign companies have been lenders to their U.S. subsidiaries.

Table F

*U.S. banking flows*

changes in the claims and liabilities of Banks in the United States[1]
billions of dollars
minus sign denotes outflow

| | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| Claims on foreigners | | | | |
| Parent bank | | | | |
| Banks | | | | |
| Other | | | | |
| Own foreign offices | | | | |
| Unaffiliated | | | | |
| Liabilities to foreigners | | | | |
| Parent bank | | | | |
| Banks | | | | |
| Other | | | | |
| Own foreign offices | | | | |
| Unaffiliated | | | | |
| Net foreign position | | | | |
| Parent bank | | | | |
| Banks | | | | |
| Other | | | | |
| Own foreign offices | | | | |
| Unaffiliated | | | | |
| Net interbank position | | | | |
| Parent bank | | | | |
| Banks | | | | |
| Other | | | | |
| Own foreign offices | | | | |
| Unaffiliated | | | | |
| Net unaffiliated position | | | | |
| Parent bank | | | | |
| Banks | | | | |
| Other | | | | |

[1] Excludes changes in the claims and liabilities of U.S. agencies and branches of foreign banks.

## Bank intermediation

The large increase in U.S. capital inflows beginning in 1983 was virtually accompanied by a large swing in the net flows reported by banks located in the United States for their own account. Net outflows of $40 billion in 1982 turned to inflows of $17 billion in 1983 (see Table E). These inflows soared to more than $90 billion in 1985.

Two major factors have contributed. First, new lending abroad has been sharply curtailed by deteriorating conditions on Africa, Asia, and Latin America. U.S. bank claims fell from $36 billion in 1982 to $19 billion the next year and to only $2 billion in 1984. In the first three quarters of 1985, such flows actually declined. At the same time, many creditworthy borrowers have turned to the issuance of securities to meet their financing needs. [illegible] Moreover, [illegible] U.S. bank deposits declined $17 billion in 1985. The [illegible] U.S. bank deposits [illegible] Moreover, the Eurodollar market [illegible] offering [illegible] banks and the U.S. agencies, branches, and subsidiaries of foreign banks [illegible] Recent U.S.-based [illegible] have served to [illegible] the growth of [illegible] activity, especially as [illegible] because of concerns about [illegible] credit risks.

## Securities transactions

Whereas the reversal of net bank-related flows was the dominant contributor to the step-up in reported U.S. capital inflows between 1982 and 1983, securities transactions have since taken up the running, climbing on a net basis from $19 billion in 1983 to $50 billion in 1985 (see Table D). The jump has been due almost entirely to an increase in foreign purchases of U.S. securities, from a net $26 billion in 1983 to $58 billion in 1985, thanks most of all to strong investment fundamentals in the United States relative to other industrial countries. These fundamentals include robust U.S. economic recovery, declining U.S. inflation, attractive interest rates, a strong dollar, healthy corporate profits, political stability, and confidence in U.S. prospects generally. In addition, rapid deregulation and innovation in U.S. financial markets have provided investors, both domestic and foreign, with a wide array of instruments issued and traded in markets with substantial breadth and depth — first since the summer of 1984 from withholding tax on interest paid to foreign holders of notes and bonds issued by U.S. entities.

Although foreign investment in U.S. Treasury securities has risen sharply, reaching $97 billion in 1984, it slipped a little in the first three quarters of 1985 (see Table B). European net purchases fell by two-thirds last year, and international institutions made net sales. These shifts more than offset a surge in Japanese buying by a widening range of investors. Direct Japanese purchases more than doubled to reach almost $17 billion in January-September 1985. Beyond life insurance companies and trust bank pension accounts, whose foreign holdings approach the administrative limit of 10% of their total assets, the newer investors include banks, the postal life and annuity fund, nonfinancial corporations, and individu-

Table 7

*U.S. securities flows*

*billions of dollars*
*minus sign indicates outflow*

| | 1983 | 1984 | 1985* |
|---|---|---|---|
| Net foreign purchases of U.S. securities | 28 | 21 | 58 |
| Official | 5 | 2 | 2 |
| Private | 23 | 19 | 56 |
| Treasury securities | 19 | 21 | 21 |
| Government corporate and federal agency securities | 5 | – | 3 |
| Corporate bonds** | 3 | 15 | 32 |
| Corporate stocks | 1 | –17 | 1 |
| Net U.S. purchases of foreign securities | –17 | 20 | –8 |
| Canadian bonds | 1 | –7 | 4 |
| Bonds | 1 | –4 | –3 |
| Net security flows | 11 | 41 | 50 |
| Western Europe | –13 | 13 | 20 |
| Japan | 1 | 8 | 19 |
| Canada | 1 | 2 | 5 |
| Oil exporters in Middle East and Africa | 9 | 12 | 3 |
| Other countries** | 11 | 6 | 1 |
| International organizations | 2 | –1 | 2 |

*Preliminary. Quarterly data do not add to annual totals.
**Includes U.S. corporate bonds purchased and then resold abroad by U.S. underwriters or foreign affiliates of U.S. companies.

als. The impression has taken hold that U.S. securities constitute the great bulk of foreign assets in Japanese portfolios. That impression is not supported by official statistics: U.S. and Japanese balance of payments data concur that Japanese portfolio investment in the United States since 1983 has accounted for only about one-third of total Japanese foreign security purchases.

The recent pace of foreign purchases of U.S. Treasury securities is not unprecedented. For example, in 1977 and 1978 – a period of dollar weakness and heavy central bank intervention to support the dollar – foreign purchases totaled $31½ billion and $23½ billion respectively. As a share of annual increments in public holdings of U.S. Treasury securities, foreigners accounted for 61% and 60% in 1977 and 1978 respectively, well above their 14% share during 1984-85. At the end of September 1985 foreigners held approximately 15% of all such securities outstanding in the hands of the public, down from a peak of 28% at the end of 1978. What distinguishes the recent period is the high proportion of foreign purchases made by investors other than official monetary institutions. Thus, by the end of September 1985 nearly $72½ billion of U.S. Treasury securities were held by nonofficial foreign investors, balanced $19 billion other private foreigners, $52.2 billion, and international and regional development organizations, $10.3 billion. These nonofficial holdings represented more than one-third of total foreign holdings, up from less than $19 billion (one-seventh of the foreign total) at the end of 1981.

There also have been large increases in foreign purchases of U.S. corporate bonds, $32 billion in 1985, mainly in the form of bonds newly issued abroad by U.S. companies. These new issues, which climbed from a gross value of less than $7½ billion in 1983 to an estimated $39 billion last year, constituted more than 30% of all bonds issued by U.S. corporations during 1985, double the international share of just two years earlier. Most of these bonds were acquired initially by Western European investors, partly reflecting Europe's role as the main center for new issues. Some of the initial European purchases are resold to investors located elsewhere, including in Japan; in the first three quarters of 1985 Japanese investors bought only $1.7 billion of U.S. corporate bonds directly.

Many U.S. companies – banks, other financial institutions, and nonfinancial corporations – have found it possible at times to raise funds more cheaply in overseas markets than at home. The savings arise partly from differences in perceptions of credit quality and in the taxation of income. In addition, individual issues can be tailored – for example, as to bearer form, maturity, and other specific terms – to offer special appeal to various groups of foreign investors. Interest rate and currency swaps have further enabled U.S. companies to reduce the costs and exchange risks of accessing foreign capital. Many of the record $10 billion of foreign-currency-denominated bonds issued abroad by U.S. corporations in 1985 have been combined with currency swaps. Another factor encouraging U.S. companies to tap the Eurobond market, in preference to the U.S. market, is the greater speed with which an issue can be completed. Speed and flexibility are especially important amid market volatility and rapid innovation in financing techniques.

Portfolio investment flows in the form of stock purchases and sales have been small relative to U.S. capital flows through bond markets. Moreover, equity investment generated net outflows in 1984 and 1985

*Table 8*

## *Net foreign purchases of U.S. Treasury securities*

*billions of dollars*
*minus sign indicates outflow*

| | 1983 | 1984 | 1985* |
|---|---|---|---|
| *Official foreigners* | 7 | 5 | 2 |
| *Bills and certificates* | 6 | 6 | —5 |
| *Marketable notes and bonds* | 1 | 1 | 10 |
| *Nonmarketable notes and bonds* | —2 | —1 | —3 |
| *Other foreigners* | 8 | 22 | 21 |
| *Bills and certificates* | 3 | 2 | 1 |
| *Marketable notes and bonds* | 5 | 21 | 19 |
| *Nonmarketable notes and bonds* | —1 | —2 | 1 |
| *Total net foreign purchases* | 16 | 27 | 23 |
| *Western Europe* | 9 | 13 | 4 |
| *Japan* | 3 | 7 | 13 |
| *Canada* | 1 | 0 | 1 |
| *Middle East and African oil exporters* | —7 | —4 | —2 |
| *Other countries* | 6 | 8 | 4 |
| *International institutions* | —1 | 3 | —1 |

*January-September at an annual rate. For all of 1985, recorded total foreign purchases of U.S. Treasury securities were $38 billion, of which Western Europe took $21 billion, Japan, $40 billion, Canada, $5 billion, OPEC, $10 billion, other countries, $22 billion, and international and regional organizations, $10 billion.

*Table 9*

## *Corporate stock flows*

*billions of dollars*
*minus sign indicates outflow*

| | 1983 | 1984 | 1985* |
|---|---|---|---|
| *Net foreign purchases of U.S. stocks* | 3.4 | —2.8 | 3.9 |
| *Western Europe* | 4.0 | —3.5 | 1.7 |
| *Japan* | 0.8 | —0.1 | —0.2 |
| *Canada* | 0.7 | 1.7 | 0.9 |
| *Middle East and African oil exporters* | —2.9 | —2.0 | 0.3 |
| *Other countries* | 0.7 | 0.5 | 1.2 |
| *Net U.S. purchases of foreign stocks* | —3.5 | —1.1 | —4.1 |
| *Western Europe* | —2.2 | —1.2 | —3.2 |
| *Japan* | —0.9 | 0.4 | —0.4 |
| *Canada* | —0.5 | 0.0 | —1.0 |
| *Other countries* | —0.2 | —0.3 | 0.5 |
| *Net stock flows* | 1.6 | —4.0 | —3.2 |

*January-September at an annual rate.

(see Table 9). European investors became net sellers of U.S. stocks from 1984 on, while Middle East and African oil-exporting countries became net sellers of U.S. equities a year earlier. Japanese investors also have been net sellers of U.S. stocks recently. U.S. investors, however, have consistently been net buyers of foreign stocks, especially in Western Europe.

Stock flows are highly correlated with the relative performance of the U.S. and European economies. The fast recovery of the U.S. economy in 1983 bolstered U.S. corporate profitability and fed a U.S. stock market boom that had begun in August 1982 with the easing of U.S. monetary policy. The strong dollar further boosted the attraction of U.S. equities by raising the relative appreciation of U.S. equities in foreign currency terms. The superior performance of the U.S. equity market faded in 1984, even after adjustment for dollar appreciation (see Chart 3), the net inflows of funds into U.S. stock markets gave way to net outflows. Outflows continued in 1985, in currency-adjusted terms. European stock market performance handily eclipsed that of the U.S. markets.

### *The question of sustainability*

As noted in the preceding article, the United States will continue to rely on large net inflows of foreign capital for some time to come. Reduction of the current account deficit will be gradual at best, since the combination of the federal budget deficit and private domestic investment presently far surpasses the supply of private domestic savings. Whether the requisite capital inflows will be secured and sustained without difficulty is a question occasioning intense debate. On the whole, and without minimizing the longer-run risks involved, a fairly sanguine view appears merited for the immediate future.

The ongoing liberalization of international capital flows, combined with the widespread deregulation of financial markets all over the world, continues to broaden significantly the worldwide spectrum of investors outside the United States who are seeking to diversify their portfolios into good quality international paper. In the early 1980s, following the abolition of U.K. exchange controls in 1979, British investors became prominent internationally. More recently, Japanese investors have taken the limelight. In addition, if on a more moderate scale, other European investors are increasingly active. Meanwhile, many LDCs experience capital flight, which may be viewed as international diversification by their own investors disenchanted with opportunities at home. In each country where liberalization takes hold, the range of investors engaged as active diversifiers inexorably widens, aided by easier access to international securities markets whose offerings, in turn, are rapidly expanding in a variety of forms designed to appeal to all manner of investors.

It is hardly surprising that the number one objective of foreign investors embarking on portfolio diversification should be to build their stakes in dollar-denominated paper and U.S. assets. In fact, their acquisition of U.S. assets has not been all that large in relation to world savings. Even at last year's rate of net capital inflow, the United States absorbed only about 9% of estimated gross savings in free world economies outside the United States. Moreover, despite sizable additions to foreign holdings of assets in the United States during the past three years, these holdings remain very small in relation to foreigners' total assets. For example,

Chart 1

*Stock market indices*

*1980 = 100*

as shown in Table 10, gross claims on the United States at the end of 1982 represented 1.2% of Western Europe's estimated total assets, financial and nonfinancial, and 2.7% of financial assets alone. By the end of 1985 these ratios had reached an estimated 1.5% for total assets and 3.6% for financial assets. For Japan the ratios are even smaller. At the end of 1982 gross claims on the United States represented only about 0.4% of Japan's total assets and 0.8% of financial assets. Three years later those ratios had risen only to 0.5% and 1.3%, respectively. Judged by these ratios, the alleged concerns about foreign portfolios becoming saturated with U.S. assets appear premature. The potential for further large-scale capital inflows into the United States is far from exhausted.

Assessments of the potential ability of foreigners to sustain large net U.S. capital inflows in the years ahead obviously must be made country by country and currency by currency. As a country credit it is worth noting that the United States external net debt and debt-service ratios are still relatively moderate even if identified U.S. gross external debt—all U.S. interest-bearing indebtedness of foreigners, including bank liabilities but only to the extent they exceed banks' claims on foreigners—probably reached approximately $400 billion at the end of 1985. That debt constituted about three times last year's exports of goods and services, with the corresponding annual payments approximating 10% of export earnings. On this accounting the nation keeps a tremendous amount of foreign investment that cannot be considered negligible.

However, from a country risk point of view, it would be simplistic to ignore the very large foreign assets that the United States has amassed over the years. Only recently has the nation become a net debtor in the broadest sense, with identified foreign holdings of U.S. assets exceeding U.S. assets abroad by approximately $60 billion at the end of 1985, or less than one-sixth of last year's exports. If the United States continues to run large, albeit gradually declining, current account deficits for the remainder of the decade, net U.S. external debt could exceed $400 billion at the end of the decade, or close to 75% of projected exports, with an accompanying rise in debt-service obligations. Such magnitudes, while striking, cannot be classed as clearly worrisome or unmanageable.

Of course, foreigners' total holdings of dollars comprise both U.S. assets and dollar-denominated claims on non-U.S. entities. In recent years foreigners' holdings of dollar assets in the United States probably have grown faster than their holdings of dollar assets outside. Indeed, instead of making dollar loans and investments elsewhere, foreigners are making them to U.S. residents. To that extent, there is no increase in the dollar constituent of foreign portfolios and many would reckon the quality of that constituent is being improved.

As long as some countries, especially Japan and several in Europe, continue to run large current account surpluses, while other countries are perceived as poor credit risks, experience capital flight, or fail to provide adequate investment opportunities for foreign investors, the money has to flow somewhere.

At present, relative to most of the rest of the world, the United States remains an attractive place to acquire assets. However, it may not be viewed forever as the "shining city on the hill." Someday, foreign and domestic perceptions of *relative* investment opportunities in the United States versus those in other countries, both industrial and developing, will change. For example, actual

U.S. growth and inflation performance could deteriorate, or confidence in the management and prospects for the U.S. economy could erode.

Among policymakers, a certain complacency about the sustainability of U.S. capital inflows has led to procrastination in adopting corrective measures. Yet, procrastination neglects the warnings of financial history, which is replete with instances where remote contingencies abruptly became pressing actualities — recall, for example, New York City in 1975 and Mexico in 1982. There is some recognition that adjustment, if not initiated early, is prone to occur in traumatic fashion. Recognition, however, is a far cry from action.

If a crisis is to be avoided in the future, it is vital that adjustment be pursued diligently now. The dollar's depreciation over the past year, while constructive, is only a first step on the long and difficult road to remedy global imbalances. As outlined in the preceding article, exchange rate action needs to be followed up — not least at the Tokyo summit meeting in May — with more comprehensive policy changes to boost economic growth worldwide. This is the way forward to a healthy world economy, one in which the United States would no longer depend for its growth and vitality on large-scale and perpetual infusions of foreign capital.

## Statistical appendix

*For key to data in tables see December 1985 issue.*


Nominal effective exchange rates, 12

Real effective exchange rates — industrial countries, 12

Real effective exchange rates — developing countries, 13

International banking market size, 13

International bond issues and bank credits, 14

Eurocurrency deposit rates, 15

International bond yields, 15

Central bank discount rates, 16

Day-to-day money rates, 16

Treasury bill rates, 17

Representative money market rates, 17

Commercial bank deposit rates, 18

Domestic government bond yields, 18

Commercial bank lending rates to prime borrowers, 19

Domestic corporate bond yields, 19



Information herein, in most sources, has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness without any responsibility on the part of Morgan Guaranty Trust Company.

# Nominal effective exchange rates

*Index numbers, 1980-82 average=100*

| | | United States | Canada | Japan | Australia | France | Germany | Italy | United Kingdom | Austria | Belgium | Netherlands | Spain | Switzerland | Denmark | Norway | Sweden |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | | 90.7 | 100.4 | 95.5 | 96.0 | 106.5 | 100.0 | 108.4 | 99.8 | 99.4 | 105.9 | 100.2 | 106.5 | 95.4 | 105.1 | 98.2 | 103.9 |
| 1981 | | 99.5 | 100.2 | 105.8 | 104.0 | 100.4 | 97.2 | 98.8 | 102.1 | 98.9 | 101.8 | 97.1 | 99.4 | 98.3 | 99.2 | 100.1 | 103.3 |
| 1982 | | 109.8 | 99.4 | 98.8 | 100.1 | 93.1 | 102.8 | 92.8 | 98.1 | 101.7 | 92.3 | 102.7 | 94.1 | 106.3 | 95.7 | 101.7 | 92.8 |
| 1983 | | 114.2 | 100.8 | 107.8 | 92.0 | 87.3 | 107.6 | 90.3 | 91.6 | 103.8 | 90.0 | 105.0 | 78.4 | 111.5 | 96.4 | 99.4 | 82.2 |
| 1984 | | 122.4 | 97.3 | 113.0 | 94.2 | 84.4 | 107.4 | 86.7 | 88.1 | 103.6 | 88.9 | 104.0 | 77.4 | 110.5 | 93.9 | 97.8 | 84.3 |
| 1985 | | 127.1 | 92.8 | 115.8 | 76.3 | 85.4 | 107.7 | 82.2 | 88.2 | 104.2 | 89.5 | 103.9 | 75.6 | 109.5 | 95.0 | 95.6 | 83.9 |
| 1985 | | | | | | | | | | | | | | | | | |
| January | | 132.0 | 96.9 | 110.5 | 93.8 | 83.7 | 106.2 | 86.3 | 91.0 | 103.4 | 89.9 | 103.0 | 78.1 | 107.8 | 95.0 | 95.7 | 85.0 |
| February | | 136.4 | 95.3 | 110.0 | 86.8 | 83.5 | 105.8 | 85.4 | 91.4 | 103.3 | 89.3 | 102.5 | 77.6 | 105.9 | 94.4 | 95.8 | 85.5 |
| March | | 136.9 | 93.2 | 111.3 | 81.5 | 83.7 | 105.9 | 83.7 | 84.0 | 103.0 | 89.0 | 102.5 | 77.2 | 105.8 | 94.3 | 95.7 | 84.6 |
| April | | 131.7 | 93.6 | 111.5 | 74.2 | 84.5 | 106.7 | 83.0 | 88.1 | 103.8 | 89.2 | 102.9 | 77.5 | 108.0 | 94.5 | 96.0 | 83.6 |
| May | | 132.3 | 92.9 | 111.5 | 76.3 | 84.4 | 106.5 | 82.9 | 89.2 | 103.5 | 89.0 | 102.9 | 76.5 | 107.4 | 93.7 | 96.0 | 83.8 |
| June | | 130.5 | 93.2 | 112.2 | 74.2 | 84.4 | 106.5 | 83.0 | 90.4 | 103.6 | 88.9 | 103.0 | 76.3 | 107.6 | 94.3 | 95.8 | 83.8 |
| July | | 126.1 | 93.5 | 113.1 | 75.4 | 85.2 | 107.1 | 81.4 | 93.6 | 103.8 | 89.0 | 103.5 | 75.5 | 110.2 | 94.5 | 95.7 | 83.6 |
| August | | 124.0 | 92.8 | 113.6 | 75.4 | 86.3 | 108.7 | 80.0 | 91.4 | 104.7 | 89.6 | 104.8 | 75.2 | 112.2 | 95.0 | 95.6 | 83.1 |
| September | | 123.2 | 92.1 | 114.9 | 74.0 | 86.2 | 108.6 | 79.9 | 91.3 | 104.7 | 89.6 | 104.6 | 74.1 | 109.9 | 94.9 | 95.7 | 83.4 |
| October | | 118.8 | 91.3 | 123.6 | 71.8 | 87.3 | 109.8 | 80.1 | 89.9 | 105.2 | 90.1 | 105.4 | 73.1 | 113.3 | 96.1 | 95.3 | 83.1 |
| November | | 117.6 | 90.3 | 129.5 | 67.9 | 87.6 | 109.9 | 80.2 | 89.7 | 105.2 | 90.5 | 105.6 | 72.8 | 113.4 | 96.5 | 94.8 | 83.3 |
| December | | 116.1 | 88.8 | 129.7 | 67.6 | 88.3 | 111.3 | 80.2 | 88.4 | 105.9 | 90.4 | 106.7 | 73.0 | 112.3 | 97.3 | 95.0 | 83.1 |
| November | 15 | 117.8 | 90.3 | 129.9 | 67.3 | 87.8 | 109.8 | 80.2 | 89.1 | 105.0 | 90.5 | 105.5 | 72.7 | 113.4 | 96.4 | 94.8 | 83.4 |
| | 22 | 116.2 | 90.3 | 130.4 | 68.2 | 87.5 | 109.8 | 80.2 | 89.6 | 105.0 | 90.5 | 105.6 | 72.7 | 113.7 | 96.5 | 94.9 | 83.4 |
| | 29 | 115.5 | 89.6 | 130.5 | 68.2 | 87.8 | 110.3 | 80.2 | 90.4 | 105.3 | 90.4 | 105.9 | 72.8 | 113.5 | 96.7 | 95.2 | 83.2 |
| December | 6 | 115.9 | 89.0 | 128.7 | 67.4 | 88.1 | 110.7 | 79.9 | 90.7 | 105.9 | 90.3 | 106.2 | 73.1 | 112.9 | 97.0 | 95.4 | 83.1 |
| | 13 | 116.4 | 89.0 | 129.5 | 68.2 | 88.2 | 111.1 | 80.2 | 88.6 | 105.7 | 90.3 | 106.5 | 73.1 | 112.4 | 97.4 | 95.0 | 83.2 |
| | 20 | 116.3 | 88.9 | 129.5 | 68.0 | 88.2 | 111.5 | 80.3 | 87.4 | 106.0 | 90.4 | 106.8 | 73.1 | 112.2 | 97.4 | 94.5 | 83.1 |
| | 27 | 116.1 | 88.8 | 129.3 | 68.0 | 88.3 | 111.6 | 80.5 | 87.1 | 106.1 | 90.5 | 107.0 | 72.6 | 112.3 | 97.6 | 94.8 | 83.2 |
| 1986 | | | | | | | | | | | | | | | | | |
| January | 3 | 115.1 | 88.3 | 129.1 | 67.4 | 88.6 | 112.3 | 80.7 | 86.7 | 106.2 | 90.6 | 107.4 | 73.0 | 112.5 | 97.9 | 94.7 | 82.9 |
| | 10 | 115.3 | 88.4 | 128.5 | 68.2 | 88.7 | 112.2 | 80.8 | 86.8 | 106.4 | 90.8 | 107.4 | 73.2 | 111.7 | 97.7 | 94.8 | 82.8 |

# Real effective exchange rates – industrial countries

*Index numbers, 1980-82 average=100*

| | United States | Canada | Japan | Australia | France | Germany | Italy | United Kingdom | Austria | Belgium | Netherlands | Spain | Switzerland | Denmark | Norway | Sweden |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | 89.4 | 99.5 | 105.0 | 83.0 | 102.1 | 103.5 | 103.5 | 99.4 | 100.2 | 107.5 | 99.9 | 100.9 | 98.7 | 103.5 | 96.6 | 101.2 |
| 1981 | 100.6 | 102.0 | 104.6 | 102.7 | 100.1 | 97.3 | 98.7 | 102.2 | 99.1 | 100.3 | 97.6 | 99.4 | 98.7 | 99.2 | 100.9 | 102.1 |
| 1982 | 109.9 | 102.4 | 92.3 | 124.3 | 97.8 | 99.2 | 97.8 | 97.9 | 100.7 | 92.3 | 102.5 | 99.8 | 102.6 | 97.3 | 102.5 | 96.7 |
| 1983 | 112.7 | 103.1 | 96.6 | 100.0 | 96.1 | 99.3 | 100.1 | 92.0 | 101.7 | 92.0 | 101.8 | 90.6 | 104.4 | 98.8 | 101.3 | 91.5 |
| 1984 | 118.2 | 101.2 | 97.6 | 105.1 | 96.8 | 98.5 | 101.1 | 89.3 | 102.7 | 90.9 | 100.0 | 95.0 | 99.4 | 96.5 | 100.1 | 96.9 |
| 1985 | 121.3 | 97.3 | 98.4 | 83.2 | 99.6 | 98.4 | 99.7 | 91.9 | 102.9 | 90.2 | 98.2 | 97.4 | 97.7 | 98.3 | 98.9 | 98.0 |
| 1985 | | | | | | | | | | | | | | | | |
| January | 125.9 | 101.7 | 94.2 | 105.4 | 97.1 | 96.0 | 102.6 | 83.2 | 102.3 | 91.7 | 97.9 | 98.6 | 96.4 | 97.8 | 97.4 | 99.4 |
| February | 128.7 | 100.2 | 93.9 | 97.3 | 97.0 | 94.5 | 101.7 | 83.8 | 102.0 | 91.4 | 97.1 | 98.5 | 95.0 | 96.3 | 98.0 | 100.2 |
| March | 129.6 | 99.1 | 94.0 | 92.5 | 97.6 | 94.2 | 99.8 | 86.5 | 101.6 | 91.7 | 97.0 | 98.0 | 95.5 | 97.4 | 98.3 | 99.6 |
| April | 126.1 | 98.3 | 93.8 | 84.9 | 98.7 | 94.6 | 99.6 | 91.2 | 102.4 | 91.3 | 97.4 | 98.8 | 96.3 | 98.3 | 98.5 | 98.0 |
| May | 126.0 | 97.2 | 93.9 | 86.2 | 99.1 | 94.3 | 100.0 | 92.3 | 101.9 | 90.3 | 97.3 | 97.7 | 95.3 | 97.6 | 99.3 | 98.0 |
| June | 124.7 | 97.5 | 95.1 | 86.5 | 98.4 | 94.2 | 100.8 | 93.9 | 102.2 | 90.8 | 97.4 | 97.9 | 95.7 | 97.2 | 99.1 | 97.5 |
| July | 120.6 | 97.7 | 93.6 | 88.5 | 99.5 | 94.6 | 99.3 | 97.2 | 102.8 | 90.0 | 97.8 | 97.0 | 97.7 | 96.6 | 99.0 | 97.4 |
| August | 118.4 | 97.3 | 94.1 | 89.2 | 101.2 | 96.0 | 97.7 | 95.8 | 103.0 | 89.6 | 99.0 | 96.9 | 99.3 | 97.5 | 98.1 | 97.0 |
| September | 117.9 | 97.7 | 95.5 | 88.5 | 100.6 | 96.1 | 98.1 | 95.9 | 103.5 | 89.6 | 98.7 | 96.8 | 98.0 | 97.8 | 100.5 | 97.0 |
| October | 114.2 | 95.6 | 101.2 | 86.1 | 101.7 | 96.7 | 98.5 | 94.4 | 104.0 | 89.2 | 99.3 | 95.5 | 101.3 | 100.2 | 99.7 | 97.0 |
| November | 112.7 | 94.3 | 105.4 | 82.0 | 101.9 | 96.2 | 98.9 | 94.6 | 104.1 | 88.9 | 99.4 | 95.8 | 101.4 | 100.9 | 99.4 | 97.3 |
| December | 111.9 | 92.9 | 106.2 | 82.4 | 102.6 | 97.9 | 99.3 | 93.1 | 104.9 | 88.3 | 100.3 | 96.6 | 100.6 | 102.3 | 99.7 | 97.1 |

# Real effective exchange rates — developing countries

*Index numbers, 1980-82 = 100*

| | Argentina | Brazil | Chile | Colombia | Mexico | Peru | Venezuela | Hong Kong | Indonesia | Korea | Malaysia | Philippines | Singapore | Taiwan | Israel | Turkey |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | 116.4 | 84.8 | 95.2 | 94.7 | 104.0 | 93.1 | 91.3 | 98.4 | 89.6 | 95.9 | 96.2 | 93.3 | 98.6 | 100.9 | 93.1 | 100.2 |
| 1981 | 107.7 | 103.2 | 108.1 | 100.4 | 114.1 | 103.2 | 93.6 | 99.4 | 99.6 | 101.2 | 99.3 | 101.2 | 102.7 | 102.6 | 99.2 | 104.4 |
| 1982 | 75.9 | 112.0 | 96.7 | 104.8 | 81.9 | 103.8 | 109.1 | 102.2 | 110.8 | 102.9 | 104.5 | 105.5 | 98.7 | 96.5 | 107.7 | 95.4 |
| 1983 | 71.0 | 99.6 | 88.7 | 104.0 | 78.0 | 97.7 | 116.1 | 96.6 | 95.7 | 97.3 | 112.7 | 95.1 | 97.1 | 93.1 | 119.4 | 92.8 |
| 1984 | 80.0 | 87.3 | 83.6 | 99.3 | 81.8 | 105.8 | 85.6 | 100.3 | 96.7 | 95.9 | 119.1 | 107.4 | 95.8 | 95.5 | 118.3 | 90.6 |
| 1984 | | | | | | | | | | | | | | | | |
| December | 76.1 | 91.1 | 86.9 | 98.1 | 96.1 | 100.1 | 89.0 | 107.1 | 98.7 | 96.8 | 121.3 | 111.9 | 95.5 | 97.4 | 114.1 | 95.5 |
| 1985 | | | | | | | | | | | | | | | | |
| January | 76.0 | 94.5 | 88.1 | 99.0 | 97.6 | 99.2 | 90.3 | 106.8 | 100.2 | 97.0 | 120.5 | 118.4 | 95.7 | 98.3 | 109.4 | 98.0 |
| February | 74.9 | 93.1 | 89.6 | 98.7 | 100.2 | 100.1 | 84.4 | 111.5 | 101.2 | 97.9 | 119.4 | 123.5 | 95.7 | 99.5 | 119.4 | 102.3 |
| March | 76.6 | 96.9 | 92.8 | 98.5 | 100.9 | 99.2 | 94.3 | 112.1 | 99.9 | 96.2 | 118.1 | 123.4 | 95.7 | 98.6 | 115.9 | 101.5 |
| April | 76.2 | 93.5 | 91.4 | 97.4 | 98.9 | 95.9 | 92.4 | 108.7 | 98.6 | 92.1 | 118.4 | 118.7 | 94.4 | 96.1 | 112.5 | 96.3 |
| May | 76.6 | 94.1 | 93.7 | 98.9 | 97.9 | 96.5 | 93.6 | 108.9 | 98.2 | 91.0 | 118.9 | 117.4 | 93.2 | 95.1 | 104.5 | 94.1 |
| June | 79.1 | 97.9 | 94.7 | 99.6 | 97.4 | 99.2 | 93.4 | 108.1 | 98.0 | 90.0 | 118.4 | 116.9 | 91.4 | 94.5 | 105.2 | 90.0 |
| July | 87.6 | 79.3 | 76.7 | 83.4 | 83.8 | 97.4 | 92.7 | 106.9 | 95.1 | 87.7 | 116.2 | 112.9 | 87.8 | 91.8 | 99.1 | 86.5 |
| August | 87.4 | 80.6 | 74.1 | 84.7 | 83.0 | 90.8 | 93.3 | 103.5 | 93.5 | 85.9 | 114.4 | 111.9 | 86.2 | 90.2 | 98.4 | 85.2 |
| September | 87.9 | 80.8 | 73.8 | 86.7 | 82.7 | 94.9 | 93.6 | 105.0 | 93.5 | 85.9 | 114.7 | 111.3 | 86.9 | 90.8 | 101.7 | 86.2 |
| October | 88.1 | 79.4 | 73.0 | 75.6 | 79.8 | 93.8 | 93.7 | 101.7 | 87.7 | 81.9 | 110.4 | 106.0 | 84.3 | 87.6 | 100.6 | 85.1 |
| November | 84.0 | 81.4 | 72.3 | 73.5 | 77.3 | 94.8 | 92.6 | 100.9 | 86.2 | 80.5 | 109.5 | 112.4 | 83.8 | 87.0 | 101.2 | 84.8 |

# International banking market size

*at end of period, billions of dollars*

| | 1981 | 1982 | 1983 | 1984 | | | | 1985 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar | Jun | Sep | Dec | Mar | Jun |
| **Gross claims** | | | | | | | | | |
| **Eurocurrencies, on residents and nonresidents** | 1 929 | 2 146 | 2 253 | 2 339 | 2 330 | 2 322 | 2 352 | 2 481 | 2 446 |
| *On nonbanks* | 557 | 634 | 660 | 655 | 679 | 676 | 684 | 708 | 719 |
| *On banks* | 1 372 | 1 512 | 1 593 | 1 684 | 1 651 | 1 646 | 1 668 | 1 753 | 1 727 |
| *In dollars* | 1 504 | 1 668 | 1 757 | 1 843 | 1 830 | 1 857 | 1 887 | 1 947 | 1 911 |
| *In other currencies* | 425 | 478 | 496 | 496 | 500 | 465 | 465 | 514 | 535 |
| **Domestic currencies, on nonresidents** | 385 | 398 | 398 | 400 | 406 | 393 | 397 | 402 | 416 |
| *On nonbanks* | 128 | 132 | 136 | 136 | 140 | 138 | 137 | 140 | 143 |
| *On banks* | 257 | 266 | 262 | 264 | 266 | 255 | 260 | 262 | 273 |
| *In dollars* | 188 | 201 | 217 | 206 | 216 | 206 | 210 | 201 | 204 |
| *In other currencies* | 197 | 197 | 181 | 194 | 190 | 185 | 187 | 201 | 212 |
| **Total** | 2 294 | 2 544 | 2 651 | 2 739 | 2 736 | 2 715 | 2 749 | 2 883 | 2 862 |
| *On nonbanks* | 685 | 766 | 797 | 791 | 819 | 814 | 821 | 848 | 862 |
| *On banks* | 1 609 | 1 778 | 1 854 | 1 948 | 1 917 | 1 901 | 1 928 | 2 035 | 2 000 |
| *In dollars* | 1 692 | 1 869 | 1 974 | 2 047 | 2 046 | 2 063 | 2 097 | 2 148 | 2 115 |
| *In other currencies* | 602 | 675 | 677 | 692 | 690 | 652 | 652 | 715 | 747 |
| **Gross liabilities** | | | | | | | | | |
| **Eurocurrencies, to residents and nonresidents** | 1 954 | 2 158 | 2 279 | 2 362 | 2 360 | 2 349 | 2 383 | 2 481 | 2 467 |
| *To nonbanks* | 472 | 492 | 478 | 500 | 503 | 492 | 500 | 508 | 508 |
| *To official monetary institutions* | 112 | 87 | 88 | 88 | 88 | 94 | 96 | 96 | 106 |
| *To other banks* | 1 470 | 1 579 | 1 711 | 1 777 | 1 769 | 1 763 | 1 787 | 1 877 | 1 853 |
| *In dollars* | 1 533 | 1 741 | 1 849 | 1 892 | 1 901 | 1 912 | 1 949 | 2 001 | 1 964 |
| *In other currencies* | 421 | 417 | 430 | 470 | 459 | 437 | 434 | 480 | 503 |
| **Domestic currencies, to nonresidents** | 263 | 260 | 258 | 262 | 277 | 274 | 277 | 289 | 306 |
| *To nonbanks* | 74 | 70 | 71 | 71 | 71 | 72 | 77 | 78 | 86 |
| *To banks* | 189 | 190 | 187 | 191 | 206 | 202 | 200 | 211 | 220 |
| *In dollars* | 126 | 116 | 133 | 128 | 140 | 140 | 143 | 143 | 150 |
| *In other currencies* | 137 | 144 | 125 | 134 | 137 | 134 | 134 | 146 | 156 |
| **Total** | 2 217 | 2 418 | 2 536 | 2 624 | 2 637 | 2 623 | 2 660 | 2 770 | 2 773 |
| *To nonbanks* | 546 | 562 | 549 | 571 | 574 | 564 | 577 | 586 | 594 |
| *To banks and official institutions* | 1 671 | 1 856 | 1 986 | 2 053 | 2 063 | 2 059 | 2 083 | 2 184 | 2 179 |
| *In dollars* | 1 885 | 1 857 | 1 979 | 2 020 | 2 040 | 2 052 | 2 092 | 2 144 | 2 114 |
| *In other currencies* | 332 | 561 | 557 | 614 | 592 | 571 | 568 | 626 | 659 |
| ***Net market size*** | **1 155** | **1 285** | **1 377** | **1 395** | **1 417** | **1 407** | **1 415** | **1 442** | **1 484** |

# International bond issues and bank credits

*millions of dollars*

| | 1982 | 1983 | 1984 | 1985 | | | Jan-Nov | |
|---|---|---|---|---|---|---|---|---|
| | | | | Sep | Oct | Nov | 1985 | 1984 |
| ***By country of borrower*** | | | | | | | | |
| **Industrial countries** | **108 772** | **102 652** | **177 077** | **15 962** | **24 933** | **23 326** | **204 190** | **165 080** |
| *Australia* | 7 213 | 5 737 | 5 816 | 1 248 | 917 | 4 186 | 12 900 | 5 216 |
| *Austria* | 2 066 | 1 290 | 2 254 | 210 | 317 | 80 | 2 327 | 2 051 |
| *Belgium* | 1 528 | 2 168 | 1 847 | 121 | 57 | 234 | 2 376 | 1 847 |
| *Canada* | 15 856 | 8 571 | 13 124 | 236 | 1 063 | 2 317 | 16 807 | 9 024 |
| *Denmark* | 2 725 | 3 941 | 4 825 | 267 | 466 | 162 | 3 436 | 4 643 |
| *Finland* | 1 446 | 1 271 | 1 713 | 115 | 233 | 34 | 1 443 | 1 671 |
| *France* | 14 813 | 8 626 | 11 268 | 790 | 1 412 | 685 | 16 803 | 10 575 |
| *Germany* | 1 101 | 3 197 | 2 165 | 154 | 850 | 154 | 2 855 | 1 998 |
| *Greece* | 808 | 1 291 | 1 551 | 101 | — | — | 1 588 | 1 347 |
| *Ireland* | 1 136 | 1 869 | 1 377 | 335 | 123 | 326 | 1 697 | 1 312 |
| *Italy* | 6 687 | 4 876 | 6 933 | 961 | 742 | 572 | 9 778 | 6 641 |
| *Japan* | 8 397 | 14 428 | 17 526 | 1 444 | 2 244 | 1 927 | 20 360 | 16 938 |
| *Netherlands* | 1 000 | 1 213 | 1 973 | 273 | 61 | 424 | 2 266 | 1 973 |
| *New Zealand* | 4 786 | 802 | 3 208 | — | 46 | 657 | 2 406 | 3 168 |
| *Norway* | 2 601 | 1 969 | 1 324 | 200 | 156 | 377 | 3 531 | 1 251 |
| *Portugal* | 1 684 | 1 030 | 1 756 | 183 | 69 | — | 1 679 | 1 726 |
| *South Africa* | 1 889 | 1 300 | 1 422 | — | — | — | 825 | 1 401 |
| *Spain* | 2 675 | 4 977 | 4 951 | 249 | 46 | 20 | 3 417 | 4 757 |
| *Sweden* | 9 181 | 7 144 | 11 256 | 241 | 752 | 459 | 9 566 | 11 197 |
| *United Kingdom* | 2 836 | 2 726 | 8 855 | 4 043 | 2 190 | 4 229 | 23 606 | 8 283 |
| *United States* | 21 109 | 20 276 | 65 064 | 2 486 | 13 107 | 5 676 | 59 553 | 61 447 |
| *Other** | 3 233 | 3 959 | 6 785 | 3 241 | 258 | 806 | 4 953 | 5 614 |
| **Developing countries** | **49 023** | **38 256** | **39 725** | **2 172** | **1 734** | **3 550** | **28 968** | **33 562** |
| **Latin American countries** | **29 667** | **15 592** | **17 464** | **140** | **92** | **1 418** | **7 090** | **13 014** |
| *Argentina* | 1 565 | 1 750 | 4 212 | — | — | — | 3 700 | 12 |
| *Brazil* | 5 972 | 4 475 | 6 648 | — | — | — | — | 6 649 |
| *Chile* | 1 194 | 1 405 | 784 | — | — | 1 085 | 1 085 | 784 |
| *Colombia* | 176 | 552 | 589 | — | — | — | 52 | 589 |
| *Mexico* | 9 968 | 5 158 | 3 918 | — | — | 49 | 49 | 3 918 |
| *Venezuela* | 7 241 | 237 | — | — | — | 48 | 48 | — |
| *Other*** | 2 551 | 2 035 | 1 312 | 140 | 92 | 237 | 2 156 | 1 062 |
| **Asian countries** | **11 723** | **12 978** | **15 893** | **1 952** | **903** | **2 132** | **17 358** | **14 820** |
| *India* | 855 | 968 | 945 | 21 | 27 | 214 | 718 | 905 |
| *Indonesia* | 1 822 | 2 361 | 1 924 | — | — | — | 451 | 1 924 |
| *Korea* | 3 377 | 4 382 | 6 261 | 404 | 509 | 548 | 5 729 | 6 050 |
| *Malaysia* | 2 872 | 2 191 | 2 491 | — | 41 | 458 | 2 202 | 1 743 |
| *Philippines* | 688 | 878 | 925 | — | — | — | 925 | 925 |
| *Thailand* | 414 | 747 | 1 221 | 314 | — | 98 | 1 197 | 1 221 |
| *Other* | 1 695 | 1 451 | 2 072 | 1 213 | 326 | 817 | 6 137 | 2 052 |
| **Middle Eastern and African countries** | **7 633** | **9 686** | **6 368** | **80** | **739** | **—** | **4 520** | **5 728** |
| *Algeria* | 36 | 1 060 | 821 | — | — | — | 1 020 | 821 |
| *Nigeria* | 2 069 | 2 341 | 985 | — | — | — | — | 985 |
| *Turkey* | 277 | 1 128 | 741 | 80 | 441 | — | 765 | 741 |
| *Other* | 5 251 | 4 044 | 3 821 | — | 298 | — | 2 455 | 3 181 |
| **Eastern European countries** | **1 479** | **1 294** | **3 244** | **52** | **125** | **302** | **4 525** | **3 164** |
| *Hungary* | 340 | 741 | 1 386 | 52 | — | — | 1 162 | 1 306 |
| *Soviet Union* | 1 131 | 53 | 1 051 | — | — | 152 | 1 343 | 1 051 |
| *Other**** | 8 | 460 | 807 | — | 125 | 150 | 2 019 | 807 |
| **International organizations****** | **11 353** | **16 201** | **13 287** | **1 751** | **1 672** | **1 002** | **18 572** | **11 895** |
| ***By type of instrument and currency*** | | | | | | | | |
| **International bond issues** | **78 042** | **76 329** | **107 411** | **13 213** | **17 229** | **17 370** | **155 746** | **99 972** |
| *Eurobonds* | 51 645 | 48 501 | 79 458 | 12 647 | 12 908 | 13 899 | 126 849 | 73 718 |
| *U.S. dollar* | 43 959 | 38 428 | 63 583 | 7 218 | 7 670 | 10 536 | 91 189 | 58 939 |
| *German mark* | 2 538 | 3 817 | 4 624 | 606 | 1 423 | 1 859 | 6 339 | 4 394 |
| *British pound* | 748 | 1 947 | 3 967 | 884 | 797 | 639 | 5 241 | 3 759 |
| *Japanese yen* | 374 | 212 | 1 212 | 137 | 1 109 | — | 5 467 | 899 |
| *European composite units* | 1 980 | 2 019 | 1 032 | 746 | 643 | 549 | 6 675 | 2 835 |
| *Other* | 1 906 | 2 078 | 3 040 | 1 056 | 1 266 | 316 | 9 939 | 2 892 |
| *Foreign bonds* | 26 397 | 27 828 | 27 953 | 2 566 | 4 321 | 3 471 | 29 101 | 26 254 |
| *U.S. dollar* | 5 946 | 4 745 | 5 487 | 145 | 364 | 650 | 4 655 | 4 867 |
| *German mark* | 2 952 | 2 671 | 2 243 | 521 | — | 248 | 1 620 | 1 689 |
| *British pound* | 1 214 | 811 | 1 292 | 101 | — | 284 | 958 | 1 292 |
| *Swiss franc* | 11 432 | 14 209 | 12 626 | 1 015 | 2 792 | 1 686 | 13 618 | 12 247 |
| *Japanese yen* | 3 418 | 3 772 | 4 625 | 878 | 910 | 184 | 6 146 | 4 403 |
| *Other* | 1 435 | 1 730 | 1 677 | 295 | 52 | 423 | 2 204 | 1 536 |
| **International bank credits** | **92 585** | **82 074** | **125 922** | **6 723** | **11 436** | **10 810** | **100 509** | **113 729** |
| *Eurocurrency credits* | 85 015 | 74 222 | 112 605 | 6 331 | 10 922 | 9 734 | 94 386 | 101 047 |
| *Foreign credits* | 7 570 | 7 852 | 13 317 | 393 | 514 | 1 077 | 6 132 | 12 682 |
| **Total** | **170 627** | **158 403** | **233 333** | **19 937** | **28 664** | **28 180** | **256 255** | **213 701** |

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

# Eurocurrency deposit rates

*prime banks' bid rates, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| **Eurodollar** | | | | | | | | | | |
| *overnight* | 9.25 | 9.50 | 8.63 | 8.00 | 8.50 | 7.56 | 8.38 | 7.88 | 7.88 | 12.25 |
| *one month* | 9.13 | 9.69 | 8.38 | 7.63 | 7.94 | 7.94 | 7.94 | 7.88 | 8.06 | 8.00 |
| *three months* | 9.19 | 9.81 | 8.63 | 7.75 | 8.19 | 8.00 | 8.06 | 7.94 | 8.06 | 7.88 |
| *six months* | 9.50 | 10.06 | 9.13 | 7.56 | 8.44 | 8.13 | 8.31 | 8.00 | 8.06 | 7.88 |
| *twelve months* | 9.63 | 10.38 | 9.81 | 8.25 | 8.88 | 8.56 | 8.56 | 8.25 | 8.17 | 7.94 |
| **Euro-Canadian dollar** | | | | | | | | | | |
| *one month* | 10.00 | 9.13 | 9.38 | 9.00 | 8.69 | 8.75 | 8.38 | 8.31 | 8.88 | 9.00 |
| *three months* | 10.00 | 9.50 | 10.81 | 9.56 | 8.94 | 8.94 | 8.69 | 8.38 | 8.88 | 9.00 |
| *six months* | 10.13 | 9.75 | 10.06 | 9.50 | 9.31 | 9.19 | 9.00 | 8.56 | 8.94 | 9.00 |
| *twelve months* | 10.25 | 10.00 | 10.44 | 9.63 | 9.50 | 9.50 | 9.38 | 8.94 | 9.06 | 9.00 |
| **Euro-French franc** | | | | | | | | | | |
| *one month* | 23.00 | 12.13 | 12.69 | 12.50 | 14.00 | 9.75 | 9.63 | 9.19 | 9.63 | 12.50 |
| *three months* | 24.00 | 13.13 | 12.69 | 12.63 | 14.63 | 12.63 | 10.50 | 9.63 | 9.75 | 13.00 |
| *six months* | 22.00 | 12.31 | 11.50 | 12.13 | 13.75 | 11.50 | 10.88 | 10.63 | 10.25 | 13.13 |
| *twelve months* | 19.75 | 12.63 | 11.38 | 11.38 | 13.00 | 11.75 | 11.25 | 10.88 | 10.25 | 12.25 |
| **Euromark** | | | | | | | | | | |
| *one month* | 5.88 | 5.25 | 5.06 | 5.44 | 4.69 | 4.50 | 4.44 | 4.69 | 4.69 | 4.75 |
| *three months* | 5.88 | 5.56 | 5.19 | 5.44 | 4.81 | 4.50 | 4.50 | 4.63 | 4.69 | 4.75 |
| *six months* | 5.94 | 5.63 | 5.06 | 5.50 | 4.94 | 4.56 | 4.63 | 4.94 | 4.75 | 4.75 |
| *twelve months* | 6.06 | 5.88 | 5.06 | 5.63 | 5.00 | 4.69 | 4.75 | 5.06 | 4.88 | 4.81 |
| **Euro-Dutch guilder** | | | | | | | | | | |
| *one month* | 5.13 | 5.81 | 5.69 | 6.13 | 6.06 | 5.75 | 5.69 | 6.13 | 5.75 | 5.75 |
| *three months* | 5.13 | 6.00 | 5.75 | 6.13 | 6.06 | 5.69 | 5.69 | 6.19 | 5.75 | 5.75 |
| *six months* | 5.38 | 6.25 | 5.81 | 6.13 | 6.20 | 5.69 | 5.69 | 6.19 | 5.88 | 5.81 |
| *twelve months* | 5.63 | 6.38 | 5.94 | 6.13 | 6.13 | 5.69 | 5.69 | 6.25 | 5.94 | 5.88 |
| **Euro-Swiss franc** | | | | | | | | | | |
| *one month* | 2.63 | 3.69 | 4.44 | 4.13 | 4.38 | 4.44 | 4.19 | 3.88 | 4.00 | 3.86 |
| *three months* | 3.00 | 3.73 | 4.56 | 4.25 | 4.50 | 4.56 | 4.50 | 4.44 | 4.00 | 4.00 |
| *six months* | 3.44 | 3.94 | 4.63 | 4.25 | 4.63 | 4.69 | 4.63 | 4.56 | 4.00 | 4.00 |
| *twelve months* | 3.94 | 3.94 | 4.69 | 4.38 | 4.69 | 4.63 | 4.63 | 4.56 | 4.06 | 4.06 |
| **Eurosterling** | | | | | | | | | | |
| *one month* | 10.25 | 9.13 | 9.50 | 12.06 | 11.50 | 11.88 | 11.63 | 11.56 | 11.63 | 11.69 |
| *three months* | 10.44 | 9.31 | 9.56 | 11.75 | 11.19 | 11.63 | 11.50 | 11.50 | 11.56 | 11.81 |
| *six months* | 10.31 | 9.44 | 10.06 | 11.50 | 11.00 | 11.13 | 11.19 | 11.44 | 11.31 | 11.81 |
| *twelve months* | 10.13 | 9.81 | 10.19 | 11.13 | 10.88 | 11.06 | 11.00 | 11.19 | 11.13 | 11.69 |
| **Euroyen** | | | | | | | | | | |
| *one month* | 6.75 | 6.25 | 6.75 | 6.50 | 6.25 | 6.44 | 6.75 | 7.50 | 8.19 | 7.13 |
| *three months* | 6.75 | 6.31 | 6.75 | 6.56 | 6.31 | 6.38 | 6.38 | 7.75 | 7.69 | 6.56 |
| *six months* | 7.00 | 6.38 | 6.81 | 6.63 | 6.31 | 6.41 | 6.38 | 7.38 | 7.19 | 6.50 |
| *twelve months* | 6.81 | 6.44 | 6.81 | 6.69 | 6.38 | 6.38 | 6.31 | 6.38 | 7.06 | 6.94 | 6.38 |
| **European currency unit** | | | | | | | | | | |
| *one month* | 12.44 | 8.81 | 9.06 | 8.88 | 8.88 | 8.69 | 8.31 | 8.31 | 8.31 | 9.75 |
| *three months* | 12.75 | 9.19 | 9.38 | 8.94 | 8.94 | 8.50 | 8.50 | 8.50 | 8.50 | 9.75 |
| *six months* | 12.50 | 9.44 | 9.50 | 9.06 | 9.00 | 8.75 | 8.75 | 8.81 | 8.69 | 9.75 |
| *twelve months* | 11.94 | 9.88 | 9.69 | 9.38 | 9.25 | 8.88 | 8.88 | 8.75 | 8.75 | 9.19 |

# International bond yields

*average yield of several actively traded high quality issues with a maturity of 10 to 12 years, at or near end of month*

| | 1981 | 1983 | 1984 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| **United States companies** | | | | | | | | | | |
| *Eurodollar* | 11.94 | 11.06 | 11.94 | 11.69 | 10.94 | 10.65 | 10.37 | 10.53 | 10.37 | 10.04 |
| *Euromark* | 7.94 | 6.96 | 7.11 | 7.06 | 6.81 | 6.74 | 6.67 | 6.74 | 7.13 | 6.95 |
| *Swiss franc* | 5.82 | 5.73 | 5.74 | 5.81 | 5.56 | 5.60 | 5.60 | 5.62 | 5.66 | 5.59 |
| **European governments** | | | | | | | | | | |
| *Eurodollar* | 12.63 | 12.94 | 11.87 | 11.75 | 11.44 | 11.31 | 11.11 | 11.18 | 11.04 | 10.77 |
| *Euromark* | 8.13 | 7.33 | 7.56 | 7.37 | 7.38 | 7.17 | 6.89 | 6.96 | 7.23 | 7.14 |
| *Swiss franc* | 5.63 | 5.24 | 5.01 | 5.03 | 5.17 | 5.16 | 5.09 | 5.01 | 5.02 | 4.99 |
| *European currency unit* | 11.77 | 10.64 | 10.38 | 10.50 | 10.11 | 9.99 | 10.01 | 10.14 | 10.42 | 10.20 |

# Central bank discount rates

*at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | Current | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Aug | Sep | Oct | Nov | Dec | Jan 14 1986 | effective since |
| United States | 8.50 | 8.50 | 8.00 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | May 17, 85 |
| Canada | 10.05 | 9.96 | 10.09 | 9.20 | 9.00 | 8.78 | 9.10 | 9.49 | 10.21 | Jan 9, 86 |
| Austria | 4.75 | 3.75 | 4.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | Aug 19, 85 |
| Belgium | 11.50 | 10.00 | 11.00 | 10.00 | 9.50 | 9.00 | 8.75 | 9.75 | 9.75 | Dec 23, 85 |
| Denmark | 10.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | Oct 27, 83 |
| Finland | 8.50 | 9.50 | 9.50 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 8.50 | Jan 1, 86 |
| France | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | Aug 31, 77 |
| Germany | 5.00 | 4.00 | 4.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | Aug 16, 85 |
| Ireland | 14.00 | 12.25 | 14.00 | 11.25 | 10.25 | 10.25 | 10.25 | 10.25 | 11.75 | Jan 6, 86 |
| Italy | 16.00 | 17.00 | 16.50 | 15.50 | 15.50 | 15.50 | 15.00 | 15.00 | 15.00 | Nov 8, 85 |
| Netherlands | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | Aug 16, 85 |
| Norway | 9.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | Jun 6, 83 |
| Portugal | 19.00 | 25.00 | 25.00 | 23.00 | 23.00 | 23.00 | 19.00 | 19.00 | 19.00 | Nov 27, 85 |
| Spain | 8.00 | 8.00 | 8.50 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | Jul 26, 77 |
| Sweden | 10.50 | 8.50 | 9.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | Jul 12, 85 |
| Switzerland | 4.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | Mar 18, 83 |
| United Kingdom | 12.00 | 9.00 | 9.88 | 11.31 | 11.31 | 11.31 | 11.31 | 11.31 | 12.31 | Jan 8, 86 |
| Japan | 5.50 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | Oct 22, 83 |
| New Zealand | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | Jul, 81 |
| South Africa | 15.45 | 16.50 | 21.75 | 16.50 | 15.50 | 14.50 | 13.50 | 13.50 | 13.50 | Nov 20, 85 |
| Argentina* | 10.26 | 15.10 | 18.19 | 6.00 | 5.50 | 5.00 | 5.00 | 5.00 | n.a. | Oct, 85 |
| Korea | 5.00 | 5.00 | 5.50 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | Mar 29, 82 |
| Philippines | 6.30 | 8.05 | 12.11 | 12.37 | 11.91 | n.a. | n.a. | n.a. | n.a. | Sep, 85 |
| Singapore | 7.00 | 7.30 | 8.73 | 5.50 | 6.00 | 5.00 | 5.00 | 5.00 | 5.00 | Jul, 85 |
| Thailand | 10.50 | 13.00 | 13.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | Jul 26, 85 |
| Venezuela | 13.00 | 11.00 | 11.00 | 9.50 | 9.00 | 8.50 | 8.00 | 8.00 | 8.00 | Oct 16, 85 |

# Day-to-day money rates

*monthly averages*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 9.95 | 9.47 | 8.38 | 8.27 | 7.97 | 7.51 | 7.66 | 7.90 | 7.92 | 7.99 | 8.05 |
| Canada | 10.83 | 8.78 | 10.50 | 10.25 | 9.75 | 9.56 | 9.27 | 8.97 | 8.53 | 8.58 | 8.81 |
| Austria | 6.00 | 5.25 | 7.63 | 6.88 | 6.13 | 6.13 | 6.13 | 5.38 | 4.88 | 5.50 | 6.75 |
| Belgium | 8.29 | 7.23 | 9.13 | 9.45 | 8.84 | 8.00 | 6.97 | 8.00 | 7.91 | 8.23 | 7.93 |
| Finland | 11.50 | 10.70 | 15.07 | 13.96 | 13.60 | 13.77 | 13.60 | 13.43 | 13.11 | 12.78 | 12.37 |
| France | 12.88 | 12.27 | 10.95 | 10.46 | 10.17 | 10.22 | 9.86 | 9.69 | 9.57 | 9.34 | 8.98 |
| Germany | 5.15 | 5.61 | 5.62 | 5.70 | 5.67 | 5.52 | 5.13 | 4.77 | 4.59 | 4.54 | 4.63 |
| Ireland | 14.34 | 12.19 | 14.52 | 13.63 | 12.63 | 12.00 | 11.50 | 10.75 | 9.50 | 9.38 | 8.50 |
| Italy | 19.00 | 17.68 | 17.25 | 15.73 | 15.46 | 15.25 | 15.00 | 14.53 | 14.38 | 14.35 | 14.59 |
| Netherlands | 9.31 | 5.54 | 5.62 | 6.74 | 7.16 | 6.81 | 6.63 | 5.92 | 5.74 | 5.87 | 5.78 |
| Norway | 11.00 | 12.38 | 12.50 | 13.40 | 12.20 + | 13.10 | 12.30 | 12.70 | 11.60 | 12.25 | 12.50 |
| Spain | 20.19 | 16.75 | 12.11 | 10.42 | 12.50 | 13.93 | 12.39 | 12.99 | 10.86 | 8.93 | 10.49 |
| Sweden | 9.31 | 11.52 | 11.68 | 13.40 | 14.69 | 16.00 | 15.39 | 15.00 | 15.00 | 14.77 | 13.47 |
| Switzerland | 1.25 | 1.88 | 3.55 | 3.06 | 2.25 | 2.00 | 2.00 | 2.50 | 2.00 | 1.25 | 0.75 |
| United Kingdom | 8.73 | 7.78 | 8.31 | 12.38 | 11.25 | 13.17 | 12.45 | 11.25 | 9.89 | 9.66 | 14.72 |
| Australia | 11.04 | 4.56 | 10.94 | 14.28 | 14.96 | 15.27 | 14.58 | 15.29 | 15.83 | 15.84 | 17.69 |
| Japan | 6.92 | 6.44 | 6.41 | 6.07 | 6.01 | 6.13 | 6.19 | 6.17 | 6.41 | 6.56 | 7.40 |
| South Africa | 14.15 | 16.06 | 21.13 | 21.50 | 19.81 | 18.60 | 17.50 | 16.25 | 15.20 | 14.90 | 13.13 |
| Argentina* | 12.77 | 14.65 | 17.75 | 23.74 | 32.00 | 24.52 | 5.20 | 5.00 | 5.00 | 4.50 | 4.50 |
| Brazil | 190.42 | 184.69 | 272.02 | 346.05 | 302.31 | 239.40 | 214.13 | 199.90 | 230.30 | 237.20 | n.a. |
| Hong Kong | 9.13 | 13.90 | 6.80 | 7.21 | 5.88 | 6.35 | 4.95 | 2.74 | 4.71 | 4.38 | 5.43 |
| Korea | 13.84 | 11.40 | 10.00 | 9.80 | 9.50 | 9.00 | 9.50 | 9.70 | 9.40 | 9.60 | 9.00 |
| Philippines | 16.12 | 21.13 | 15.22 | 23.97 | 25.12 | 29.95 | 20.36 | 18.39 | 10.25 | n.a. | n.a. |
| Singapore | 11.45 | 7.05 | 6.01 | 4.68 | 5.75 | 5.18 | 4.94 | 4.37 | 5.34 | 5.79 | 4.49 |
| Taiwan | 9.94 | 7.85 | 8.07 | 6.45 | 6.66 | 6.47 | 6.79 | 8.33 | 6.81 | 5.30 | 5.06 |

*Percent per month.

# Treasury bill rates

*bond equivalent yields, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 8.15 | 9.28 | 7.99 | 8.08 | 7.63 | 7.05 | 7.40 | 7.36 | 7.13 | 7.44 | 7.40 |
| Canada | 9.80 | 9.71 | 9.84 | 9.77 | 9.51 | 9.33 | 9.06 | 8.95 | 8.75 | 8.53 | 8.85 |
| Belgium | 12.42 | 11.00 | 10.90 | 9.63 | 9.13 | 9.02 | 9.63 | 9.63 | 9.28 | 8.92 | 8.72 |
| Ireland | 15.25 | 12.01 | 15.10 | 13.43 | 12.21 | 11.29 | 10.38 | 10.43 | 9.89 | 10.14 | 10.41 |
| Italy | 19.11 | 16.95 | 14.69 | 14.31 | 14.22 | 14.18 | 14.08 | 13.99 | 13.37 | 12.90 | 12.76 |
| Netherlands | 5.63 | 5.63 | 5.88 | 7.00 | 6.75 | 6.75 | 6.25 | 5.75 | 5.75 | 6.19 | 5.88 |
| Spain | 15.28 | 14.46 | 12.00 | 11.76 | 12.51 | 14.00 | 13.29 | 12.45 | 10.66 | 9.44 | 9.25 |
| Sweden | 12.90 | 11.75 | 11.65 | 14.47 | 16.48 | 16.64 | 15.04 | 15.00 | 15.33 | 14.37 | 13.28 |
| United Kingdom | 9.96 | 9.04 | 9.33 | 12.26 | 12.16 | 12.33 | 11.30 | 11.31 | 11.38 | 11.45 | 11.33 |
| Australia | 9.39 | 8.54 | 12.27 | 14.95 | 14.50 | 14.02 | 14.78 | 16.17 | 16.16 | 16.36 | 18.45 |
| Japan | 5.42 | 4.91 | 4.91 | 4.91 | 4.91 | 4.91 | 4.91 | 4.91 | 4.91 | 4.91 | 4.91 |
| New Zealand | 11.25 | 7.80 | 13.50 | 23.40 | 21.00 | 21.00 | 24.00 | n.a. | n.a. | n.a. | n.a. |
| South Africa | 14.62 | 15.43 | 21.94 | 21.92 | 18.78 | 16.00 | 16.48 | 15.72 | 15.22 | 13.87 | 12.90 |
| Brazil | 115.40 | 179.15 | 273.03 | 273.03 | 215.12 | 209.68 | 223.13 | 258.13 | 266.85 | 231.35 | n.a. |
| Mexico | 57.44 | 53.78 | 48.67 | 57.69 | 63.34 | 62.47 | 74.99 | 70.56 | n.a. | 66.24 | 70.70 |
| Philippines | 14.54 | 15.99 | 47.14 | 34.22 | 35.32 | 33.43 | 29.59 | 21.60 | 18.01 | n.a. | n.a. |
| Singapore | 2.74 | 2.53 | 2.91 | 2.94 | 3.07 | 2.79 | 2.68 | 2.79 | 2.97 | 2.92 | 2.89 |

# Representative money market rates

*bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 9.94 | 9.86 | 8.34 | 8.38 | 7.70 | 7.70 | 7.85 | 7.91 | 7.89 | 8.07 | 8.01 |
| Canada | 9.95 | 9.87 | 10.10 | 10.20 | 9.80 | 9.70 | 9.25 | 9.15 | 8.95 | 8.70 | 9.25 |
| Belgium | 12.35 | 11.00 | 10.75 | 10.10 | 9.25 | 8.90 | 8.90 | 9.60 | 9.35 | 8.85 | 8.60 |
| France | 12.75 | 12.19 | 10.63 | 10.31 | 10.25 | 10.25 | 10.00 | 9.75 | 9.44 | 9.25 | 8.87 |
| Germany | 6.20 | 6.30 | 6.75 | 5.90 | 5.80 | 5.60 | 5.00 | 4.65 | 4.65 | 4.95 | 4.80 |
| Ireland | 15.75 | 12.19 | 16.13 | 12.75 | 12.75 | 11.69 | 10.50 | 10.38 | 10.25 | 10.25 | 10.50 |
| Italy | 19.00 | 17.88 | 16.69 | 15.00 | 14.88 | 14.75 | 14.38 | 14.38 | 14.38 | 15.00 | 14.63 |
| Netherlands | 5.25 | 6.00 | 5.75 | 7.13 | 8.94 | 8.69 | 6.13 | 5.75 | 5.81 | 6.25 | 5.94 |
| Portugal | 15.05 | 24.11 | 24.57 | 24.52 | 24.42 | 24.57 | 24.65 | 22.63 | 22.69 | 22.69 | 22.49 |
| Spain | 16.97 | 18.93 | 12.18 | 12.61 | 12.70 | 14.06 | 13.80 | 13.03 | 11.17 | 10.16 | 10.13 |
| Switzerland | 3.68 | 3.68 | 5.00 | 5.38 | 5.38 | 5.38 | 5.38 | 4.63 | 4.69 | 4.69 | 4.13 |
| United Kingdom | 10.50 | 9.31 | 9.88 | 12.66 | 12.44 | 12.44 | 11.13 | 11.56 | 11.50 | 11.50 | 11.50 |
| Australia | 10.65 | 9.50 | 12.80 | 15.80 | 15.58 | 16.50 | 15.20 | 16.70 | 16.50 | 16.35 | 18.65 |
| Japan | 6.88 | 6.40 | 6.33 | 6.26 | 6.26 | 6.30 | 6.29 | 6.30 | 6.33 | 7.11 | 7.55 |
| New Zealand | 16.75 | 12.10 | 15.25 | 23.50 | 23.20 | 24.00 | 25.10 | 26.75 | 27.20 | 24.95 | 20.50 |
| South Africa | 15.25 | 19.12 | 22.78 | 22.09 | 19.35 | 17.35 | 17.60 | 16.50 | 15.25 | 14.03 | 13.20 |
| Chile | 65.00 | 29.56 | 20.68 | 38.93 | 32.85 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Hong Kong | 9.25 | 14.88 | 8.25 | 7.94 | 6.38 | 6.81 | 5.31 | 6.00 | 5.63 | 6.00 | 6.50 |
| Indonesia | 18.50 | 19.50 | 19.00 | 19.00 | 18.00 | 17.50 | 15.50 | 15.50 | 15.00 | 14.50 | 14.50 |
| Korea | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 9.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Malaysia | 8.50 | 9.80 | 10.30 | 9.50 | 12.00 | 7.75 | 7.00 | 8.50 | 7.50 | 7.25 | 8.25 |
| Philippines | 15.96 | 15.81 | 33.21 | 23.43 | 26.77 | 24.90 | 21.25 | 20.48 | 16.56 | n.a. | n.a. |
| Singapore | 8.69 | 8.44 | 7.00 | 5.31 | 5.25 | 5.31 | 5.13 | 4.56 | 6.38 | 5.81 | 5.44 |
| Taiwan | n.a. | 8.07 | 7.85 | 6.39 | 6.59 | 6.49 | 6.70 | 7.33 | 5.76 | 5.13 | 4.51 |
| Thailand | 12.25 | 16.00 | 12.00 | 16.00 | 14.50 | 13.00 | 12.00 | 12.00 | 12.00 | 13.50 | 15.00 |

# Commercial bank deposit rates

*at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 8.25 | 9.70 | 8.35 | 8.25 | 7.50 | 7.57 | 7.95 | 7.88 | 7.80 | 7.80 | 7.88 |
| Canada | 9.85 | 9.82 | 10.05 | 10.15 | 9.75 | 9.65 | 9.20 | 9.10 | 8.90 | 8.65 | 9.20 |
| Austria | 6.25 | 6.50 | 7.50 | 6.88 | 6.50 | 6.50 | 6.38 | 5.75 | 5.25 | 5.63 | 6.12 |
| Belgium | 12.25 | 11.25 | 10.63 | 9.50 | 9.00 | 8.75 | 9.50 | 9.31 | 9.13 | 8.75 | 8.50 |
| Denmark | 9.00 | 6.00 | 9.00 | 6.00 | 6.00 | 6.00 | 5.00 | 5.00 | 7.00 | 7.00 | 7.00 |
| Finland | 4.25 | 5.25 | 5.25 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 |
| France | 8.24 | 7.66 | 7.04 | 6.82 | 6.67 | 6.69 | n.a. | 6.49 | n.a. | 6.27 | 6.07 |
| Germany | 6.00 | 5.90 | 5.25 | 5.45 | 5.30 | 5.15 | 4.45 | 4.25 | 4.25 | 4.55 | 4.45 |
| Ireland | 15.25 | 11.75 | 14.63 | 12.00 | 11.75 | 11.25 | 10.00 | 10.00 | 9.50 | 9.88 | 10.25 |
| Italy | 13.25 | 13.25 | 11.64 | 10.96 | 10.88 | 10.88 | 10.86 | 10.86 | n.a. | n.a. | n.a. |
| Netherlands | 5.38 | 6.13 | 5.69 | 7.00 | 6.81 | 6.63 | 6.00 | 5.69 | 5.69 | 6.19 | 5.81 |
| Norway | 13.50 | 12.75 | 12.75 | 12.75 | 12.40 | 12.25 | 12.25 | 12.00 | 12.00 | 12.00 | 12.00 |
| Portugal | 15.00 | 21.50 | 27.00 | 27.00 | 27.00 | 27.00 | 27.00 | 24.50 | 24.50 | 24.50 | 20.50 |
| Spain | 12.53 | 12.62 | 11.64 | 10.61 | 10.83 | 10.55 | 10.55 | 10.49 | 10.42 | 10.20 | n.a. |
| Sweden | 12.15 | 11.70 | 11.45 | 13.77 | 16.13 | 16.57 | 14.95 | 14.61 | 13.90 | 14.08 | 12.71 |
| Switzerland | 3.00 | 3.50 | 4.50 | 4.38 | 4.88 | 5.13 | 4.63 | 4.38 | 4.25 | 4.50 | 3.75 |
| United Kingdom | 10.21 | 9.31 | 9.88 | 12.10 | 12.38 | 12.31 | 11.06 | 11.31 | 11.28 | 11.44 | 11.38 |
| Australia | 10.20 | 10.40 | 12.75 | 15.17 | 14.91 | 15.10 | 14.80 | 15.89 | 16.76 | 16.20 | n.a. |
| Japan | 7.00 | 6.50 | 6.38 | 6.36 | 6.36 | 6.30 | 6.35 | 6.41 | 6.43 | 7.32 | 7.93 |
| New Zealand | 16.50 | 11.50 | 16.25 | 23.00 | 23.50 | 23.00 | 24.50 | 25.00 | 23.00 | 24.50 | 21.25 |
| South Africa | 15.25 | 20.13 | 22.88 | 22.25 | 20.25 | 18.00 | 18.50 | 17.25 | 16.00 | 15.00 | 13.20 |
| Argentina* | 8.50 | 14.53 | 31.23 | 29.59 | 32.88 | 7.00 | 7.00 | 7.00 | 5.30 | 4.80 | 5.25 |
| Brazil | 21.00 | 23.00 | 27.00 | 25.50 | 25.00 | 24.00 | 23.00 | 21.00 | 19.00 | 18.00 | n.a. |
| Chile | 47.29 | 20.67 | 20.68 | 38.61 | 32.65 | 28.80 | 29.20 | n.a. | 15.08 | 16.79 | 18.25 |
| Hong Kong | 9.75 | 14.83 | 8.25 | 7.94 | 6.88 | 6.81 | 6.31 | 6.00 | 5.63 | 6.00 | 6.50 |
| Korea | 7.50 | 7.50 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Malaysia | 8.40 | 7.75 | 9.58 | 9.40 | 9.67 | 8.17 | 8.17 | 8.17 | 8.17 | 7.00 | 7.00 |
| Mexico | 52.54 | 57.15 | 47.41 | 54.50 | 56.80 | 59.50 | 64.35 | 65.20 | 65.80 | 66.80 | 69.60 |
| Philippines | 14.15 | 14.96 | 31.21 | 23.86 | 21.40 | 25.95 | 19.60 | 17.35 | 14.26 | n.a. | n.a. |
| Singapore | 8.25 | 7.44 | 8.13 | 8.01 | 4.88 | 5.07 | 4.88 | 4.51 | 6.38 | 5.81 | 5.01 |
| Taiwan | 7.50 | 7.00 | 8.50 | 8.25 | 8.25 | 8.00 | 8.00 | 8.00 | 5.75 | 5.75 | 5.25 |
| Thailand | 10.00 | 10.00 | 13.00 | 10.00 | 11.50 | 13.50 | 10.50 | 10.00 | 10.50 | 10.50 | 10.50 |
| Venezuela | 15.50 | 12.00 | 12.50 | 11.50 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |

*Percent per month

# Domestic government bond yields

*long-term issues, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 10.61 | 12.00 | 11.61 | 11.64 | 10.71 | 10.62 | 10.91 | 10.63 | 10.67 | 10.62 | 10.06 |
| Canada | 11.69 | 12.02 | 11.66 | 11.50 | 10.76 | 10.88 | 10.91 | 10.79 | 10.96 | 10.72 | 10.34 |
| Austria | 6.81 | 6.02 | 8.04 | 8.06 | 8.01 | 7.87 | 7.77 | 7.58 | 7.34 | 7.38 | 7.55 |
| Belgium | 12.66 | 11.89 | 11.56 | 11.49 | 10.78 | 10.34 | 10.50 | 10.59 | 10.42 | 9.65 | 9.90 |
| Denmark | 20.14 | 12.98 | 14.60 | 12.87 | 12.26 | 12.16 | 10.76 | 10.72 | 11.23 | 10.79 | 10.50 |
| Finland | 10.64 | 11.16 | 10.73 | 10.84 | 10.49 | 10.46 | 10.48 | 10.42 | 10.35 | 10.36 | 10.50 |
| France | 15.40 | 13.96 | 12.70 | 11.98 | 11.72 | 12.12 | 11.87 | 11.99 | 11.97 | 10.73 | n.a. |
| Germany | 7.90 | 8.38 | 7.17 | 7.10 | 7.10 | 7.02 | 6.85 | 6.52 | 6.55 | 6.90 | 6.91 |
| Ireland | 14.54 | 14.25 | 14.90 | 13.08 | 13.17 | 12.71 | 11.20 | 11.74 | 11.92 | 11.84 | 12.10 |
| Italy | 19.70 | 17.66 | 14.52 | 13.93 | 13.86 | 13.87 | 14.08 | 14.04 | 13.74 | 13.75 | 14.49 |
| Netherlands | 8.16 | 8.53 | 7.72 | 7.73 | 7.58 | 7.39 | 7.23 | 6.92 | 6.87 | 7.03 | 7.01 |
| Norway | 13.32 | 12.50 | 12.00 | 12.38 | 12.38 | 12.70 | 12.70 | 12.70 | 12.70 | 12.70 | 12.70 |
| Portugal | 16.63 | 22.11 | 22.23 | 20.64 | 21.62 | 22.23 | 20.34 | 20.14 | n.a. | n.a. | n.a. |
| Spain | 15.46 | 17.28 | 13.93 | 13.40 | 13.56 | 13.79 | 14.48 | 14.37 | 13.92 | 12.58 | 12.12 |
| Sweden | 13.01 | 12.80 | 12.84 | 12.42 | 13.76 | 13.48 | 12.88 | 13.22 | 13.54 | 13.40 | 13.10 |
| Switzerland | 4.23 | 4.53 | 4.60 | 4.75 | 4.74 | 4.78 | 4.80 | 4.69 | 4.66 | 4.58 | 4.62 |
| United Kingdom | 10.62 | 9.94 | 10.25 | 10.42 | 10.51 | 10.45 | 10.16 | 10.22 | 10.15 | 10.16 | 10.17 |
| Australia | 13.00 | 13.65 | 13.50 | 14.00 | 13.75 | 13.50 | 13.30 | 13.95 | 13.60 | 14.55 | 14.99 |
| Japan | 7.36 | 7.45 | 6.36 | 6.65 | 6.60 | 6.53 | 6.38 | 6.46 | 6.36 | 6.55 | 6.84 |
| New Zealand | 12.84 | 13.50 | 16.90 | 17.95 | 19.64 | 17.33 | 17.86 | 17.70 | 18.35 | 18.10 | n.a. |
| South Africa | 11.31 | 13.64 | 16.55 | 16.49 | 15.85 | 15.15 | 15.90 | 16.20 | 16.65 | 17.50 | 17.50 |
| Philippines | 13.64 | 14.47 | 18.54 | 12.75 | n.a. | 17.00 | 13.29 | n.a. | n.a. | n.a. | n.a. |
| Venezuela | 15.00 | 13.50 | 14.00 | 12.50 | 12.50 | 12.50 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |

# Commercial bank lending rates to prime borrowers

*at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 11.50 | 11.00 | 10.75 | 10.50 | 10.00 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 |
| Canada | 12.50 | 11.00 | 11.25 | 10.75 | 10.50 | 10.50 | 10.50 | 10.25 | 10.25 | 10.00 | 10.00 |
| Austria | 11.75 | 9.25 | 9.25 | 9.25 | 9.25 | 9.25 | 9.25 | 9.25 | 9.25 | 9.00 | 9.00 |
| Belgium | 15.50 | 13.75 | 14.00 | 13.50 | 12.50 | 12.00 | 12.00 | 12.50 | 12.00 | 11.50 | 11.00 |
| Denmark | 14.00 | 10.00 | 10.50 | 10.50 | 10.50 | 10.50 | 9.50 | 9.50 | 8.50 | 8.50 | 8.50 |
| Finland | 8.95 | 10.18 | 10.68 | 10.38 | 10.37 | 10.37 | 10.40 | 10.43 | 10.42 | 10.43 | n.a. |
| France | 12.25 | 12.25 | 12.00 | 11.50 | 11.25 | 11.25 | 10.85 | 10.85 | 10.85 | 10.85 | 10.60 |
| Germany | 8.75 | 7.75 | 7.75 | 7.75 | 7.75 | 7.75 | 7.75 | 7.25 | 7.25 | 7.25 | 7.25 |
| Ireland | 16.50 | 13.75 | 15.75 | 14.50 | 14.50 | 14.00 | 13.25 | 13.50 | 12.50 | 12.50 | 12.50 |
| Italy | 20.75 | 16.75 | 18.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 16.50 | 16.00 |
| Netherlands | 6.25 | 7.00 | 6.25 | 7.13 | 7.75 | 7.75 | 7.25 | 6.25 | 6.25 | 6.38 | 6.50 |
| Norway | 14.50 | 13.50 | 13.00 | 12.50 | 12.90 | 12.70 | 12.90 | 13.10 | 12.70 | 12.90 | 12.80 |
| Portugal | 23.50 | 30.00 | 29.00 | 29.00 | 29.00 | 29.00 | 29.00 | 26.50 | 26.50 | 26.50 | 22.50 |
| Spain | 16.39 | 17.91 | 15.84 | 15.44 | 15.65 | 16.53 | 15.53 | 15.49 | 15.36 | 14.98 | 14.80 |
| Sweden | 15.00 | 13.50 | 14.50 | 14.50 | 16.25 | 16.25 | 15.25 | 15.25 | 15.25 | 14.75 | 14.75 |
| Switzerland | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| United Kingdom | 10.00 | 9.00 | 9.50 | 12.50 | 12.50 | 12.50 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 |
| Australia | 15.00 | 12.75 | 14.50 | 16.75 | 17.00 | 17.75 | 17.75 | 17.75 | 18.50 | 18.50 | 19.25 |
| Japan | 6.28 | 5.89 | 5.70 | 5.69 | 5.69 | 5.69 | 5.69 | 5.69 | 5.70 | 5.70 | 5.70 |
| New Zealand | 13.00 | 11.00 | 14.00 | n.a. | 25.00 | 25.00 | 24.00 | 22.00 | 23.00 | 22.50 | 21.50 |
| South Africa | 18.00 | 20.00 | 24.00 | 25.00 | 23.00 | 22.00 | 21.00 | 21.00 | 19.50 | 17.50 | 16.50 |
| Argentina* | 9.00 | 15.50 | 32.23 | 32.47 | 37.81 | 8.50 | 8.50 | 9.00 | 5.75 | 5.60 | 7.25 |
| Brazil | 23.81 | 24.00 | 31.00 | 28.00 | 25.50 | 25.00 | 24.56 | 21.00 | 19.00 | 19.00 | n.a. |
| Chile | 64.11 | 50.30 | 60.82 | 51.18 | 46.15 | 47.28 | 51.47 | n.a. | 35.53 | 32.36 | 31.88 |
| Hong Kong | 10.50 | 13.50 | 11.00 | 9.00 | 8.50 | 8.00 | 8.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| Indonesia | 22.00 | 19.75 | 21.50 | 23.00 | 22.00 | 21.50 | 20.75 | 20.25 | 19.50 | 19.00 | 19.00 |
| Korea | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Malaysia | 12.50 | 11.00 | 12.00 | 12.00 | 12.00 | 11.00 | 11.00 | 11.00 | 11.00 | 10.50 | 10.50 |
| Mexico | 46.12 | 66.44 | 47.54 | 51.93 | 53.78 | 54.92 | 57.60 | 59.06 | 60.96 | 62.29 | 63.39 |
| Philippines | 18.00 | 18.00 | 44.00 | 24.00 | 12.00 | 32.00 | 27.00 | 23.00 | n.a. | n.a. | 15.50 |
| Singapore | 9.33 | 8.38 | 9.40 | 8.72 | 8.48 | 8.28 | 8.03 | 7.28 | 7.20 | 7.23 | 7.20 |
| Taiwan | 10.75 | 10.25 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 9.75 | 9.75 | 9.50 |
| Thailand | 16.00 | 16.00 | 16.50 | 17.00 | 16.50 | 16.50 | 16.50 | 15.50 | 15.50 | 15.50 | 15.50 |
| Venezuela | 17.00 | 16.00 | 16.00 | 15.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 13.00 |

*Percent per month.

# Domestic corporate bond yields

*long-term issues, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| United States | 11.75 | 12.63 | 12.25 | 12.58 | 11.25 | 11.25 | 11.65 | 11.38 | 11.50 | 11.25 | 10.75 |
| Canada | 12.74 | 12.89 | 12.42 | 12.24 | 11.34 | 11.27 | 11.62 | 11.49 | 11.56 | 11.26 | 10.98 |
| France | 15.66 | 14.35 | 12.94 | 12.40 | 12.20 | 12.19 | 12.06 | 12.17 | 12.06 | 12.03 | 11.84 |
| Germany | 8.20 | 8.30 | 7.20 | 7.20 | 7.20 | 7.10 | 7.10 | 6.90 | 6.80 | 6.90 | 7.00 |
| Netherlands | 7.80 | 6.51 | 7.51 | 7.87 | 7.62 | 7.41 | 7.28 | 7.28 | n.a. | n.a. | n.a. |
| Norway | 14.13 | 13.25 | 12.75 | 13.25 | 13.25 | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 |
| Spain | 17.10 | 19.84 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Sweden | 13.37 | 12.21 | 12.13 | 13.19 | 13.50 | 13.75 | 13.25 | 13.25 | 13.50 | 14.00 | 13.50 |
| Switzerland | 5.80 | 4.92 | 5.09 | 5.24 | 5.18 | 5.15 | 5.09 | 5.05 | 5.02 | 4.99 | 4.99 |
| United Kingdom | 12.34 | 11.57 | 11.64 | 11.66 | 11.61 | 11.54 | 11.22 | 11.22 | 11.17 | 11.14 | 11.18 |
| Japan | 7.55 | 7.09 | 6.21 | 6.82 | 6.70 | 6.63 | 6.55 | 6.46 | 6.36 | 6.26 | 7.56 |
| Korea | 16.00 | 14.20 | 13.00 | 14.60 | 14.70 | 14.30 | 14.10 | 13.90 | 13.80 | 13.70 | 13.60 |
| Venezuela | 18.00 | 18.00 | 18.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 |

**World Financial Markets**

Published by
Morgan Guaranty Trust Company of New York
International Economics Department
23 Wall Street, New York, NY 10015